

5160. Also, petition of the Hooker Electrical Co., New York City, favoring the amendment to House bill 7312, the Anti-dumping Act, and Senate Resolution 160, the Borah resolution; to the Committee on Interstate and Foreign Commerce.

5161. Also, petition of the Catholic Central Verein of America, Meriden, Conn., opposing the American participation in foreign affairs; to the Committee on Foreign Affairs.

5162. Also, petition of the National Grange, Washington, D. C., protesting against the enactment of Senate bill 2759 and House bill 7120; to the Committee on Appropriations.

5163. By the SPEAKER: Petition of the German-American League for Culture, Inc., Chicago, Ill., petitioning consideration of their resolution with reference to un-American propaganda; to the Committee on Rules.

SENATE

MONDAY, JULY 31, 1939

(Legislative day of Tuesday, July 25, 1939)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

The Reverend Duncan Fraser, assistant rector, Church of the Epiphany, Washington, D. C., offered the following prayer:

O God, the foundation of wisdom, whose statutes are good and gracious and whose law is truth. We beseech Thee so to guide and bless this Senate, that it may ordain for our governance only such things as please Thee, to the glory of Thy name and the welfare of Thy people. Through Jesus Christ, Thy Son, our Lord. Amen.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day, Saturday, July 29, 1939, was dispensed with, and the Journal was approved.

CALL OF THE ROLL

Mr. MINTON. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Davis	King	Russell
Andrews	Downey	La Follette	Schwartz
Austin	Ellender	Lee	Schwellenbach
Bailey	Frazier	Lodge	Sheppard
Bankhead	George	Lucas	Shipstead
Barkley	Gerry	Lundeen	Slatery
Bilbo	Gibson	McCarran	Smathers
Bone	Gillette	McKellar	Smith
Borah	Guffey	Maloney	Stewart
Bridges	Gurney	Mead	Taft
Brown	Hale	Miller	Thomas, Okla.
Bulow	Harrison	Minton	Thomas, Utah
Burke	Hatch	Murray	Townsend
Byrd	Hayden	Neely	Truman
Byrnes	Herring	Norris	Tydings
Capper	Hill	Nye	Vandenberg
Chavez	Holman	O'Mahoney	Van Nuys
Clark, Idaho	Holt	Pepper	Wagner
Clark, Mo.	Hughes	Pittman	Walsh
Connally	Johnson, Calif.	Radcliffe	Wheeler
Danaher	Johnson, Colo.	Reed	White

Mr. MINTON. I announce that the Senator from North Carolina [Mr. REYNOLDS] is absent from the Senate because of a death in his family.

The Senator from Arkansas [Mrs. CARAWAY] and the Senator from Rhode Island [Mr. GREEN] are absent on important public business.

The Senator from Ohio [Mr. DONAHEY], the Senator from Virginia [Mr. GLASS], the Senator from Kentucky [Mr. LOGAN], and the Senator from Louisiana [Mr. OVERTON] are unavoidably detained.

The VICE PRESIDENT. Eighty-four Senators have answered to their names. A quorum is present.

PETITION AND MEMORIALS

The VICE PRESIDENT laid before the Senate a resolution of the annual convention of the Arizona Wool Growers' Association at Flagstaff, Ariz., protesting against the present policy of reciprocal trade agreements, with particular reference to the granting of concessions to countries having low labor standards, and requesting that no concessions in the wool schedule be made in any new trade agreement, which was referred to the Committee on Finance.

He also laid before the Senate a resolution of the annual convention of the Arizona Wool Growers' Association at Flagstaff, Ariz., protesting against the transfer of the Forest Service, or any of its activities, from the Department of Agriculture and its consolidation with any other department of the Government, which was referred to the Select Committee on Government Organization.

Mr. HOLT presented a resolution of the Marshall County (W. Va.) McGuffey Society, favoring inclusion in the commemorative series of stamps issued by the Post Office Department of an appropriate design dedicated to honor William Holmes McGuffey, famous American educator, which was referred to the Committee on Post Offices and Post Roads.

Mr. NYE presented memorials, numerously signed, of sundry citizens of the State of North Dakota, remonstrating against the enactment of the so-called Wheeler-Truman bill, being the bill (S. 2009) to amend the Interstate Commerce Act, as amended, by extending its application to additional types of carriers and transportation and modifying certain provisions thereof, and for other purposes, which were ordered to lie on the table.

REPORTS OF COMMITTEES

Mr. SCHWELLENBACH, from the Committee on Agriculture and Forestry, to which was referred the bill (S. 1710) to provide for the cancelation of certain notes acquired by the Farm Credit Administration as a result of the activities of the Federal Farm Board, reported it with amendments and submitted a report (No. 1039) thereon.

Mr. LUCAS, from the Committee on Agriculture and Forestry, to which was referred the bill (H. R. 5764) to provide for the establishment of a cemetery within the Crab Orchard Creek Dam project, Williamson County, Ill., reported it without amendment and submitted a report (No. 1040) thereon.

Mr. FRAZIER, from the Committee on Agriculture and Forestry, to which was referred the joint resolution (S. J. Res. 66) making provisions for the refund of the processing tax on hogs marketed for slaughter by the raisers and producers who in fact bore all or part of the burden of such tax, reported it with amendments and submitted a report (No. 1041) thereon.

Mr. BARKLEY, from the Committee on the Library, to which were referred the following bill and joint resolutions, reported them severally without amendment:

H. R. 6585. A bill to provide for the disposition of certain records of the United States Government;

S. J. Res. 178. Joint resolution authorizing the selection of a site and the erection thereon of the Columbian Fountain in Washington, D. C.; and

H. J. Res. 208. Joint resolution authorizing the Joint Committee on the Library to procure an oil portrait of former President Herbert Hoover.

LABOR POLICIES OF EMPLOYERS' ASSOCIATIONS—REPORT OF COMMITTEE ON EDUCATION AND LABOR (REPT. NO. 6, PT. 5)

Mr. LA FOLLETTE. Mr. President, I ask unanimous consent to submit a report from the subcommittee of the Senate Committee on Education and Labor, pursuant to Senate Resolution 266, of the Seventy-fourth Congress, entitled "Labor Policies of Employers' Associations, Part II, the Associated Industries of Cleveland."

The VICE PRESIDENT. Without objection, the report will be received and printed.

INVESTIGATION CONCERNING COURT MARTIAL OF CAPT. OBERLIN M. CARTER

Mr. MINTON, from the Committee on Military Affairs, reported a resolution (S. Res. 176), which, under the rule, was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Whereas on May 1, 1935, Senate Resolution 60, Seventy-fourth Congress, was passed by the Senate to authorize the investigation of the facts leading up to the court martial and the court-martial proceedings and all the findings relating to the court martial of Capt. Oberlin M. Carter, formerly of the United States Army Engineers Corps; and

Whereas the papers and records pertaining to this matter are voluminous and the facts are involved and relate to a case remote in time; and

Whereas the Committee on Military Affairs, after some hearings in the matter, believe the cause worthy of the most searching inquiry, and the same is a matter beyond the time available to the members of the committee, the committee is further of the opinion that an expert investigator should be employed by the committee in this matter and funds be made available therefor: Therefore, be it

Resolved, That the Military Affairs Committee be, and the same is hereby, authorized to employ and pay an expert investigator to aid the committee in carrying out the purpose of Senate Resolution 60 of the Seventy-fourth Congress and to otherwise defray the necessary expenses of said committee, and there is hereby authorized to be paid from the contingent fund of the Senate the sum of \$5,000 to employ said investigator and to defray the expenses of said investigation, said appropriation to be disbursed upon vouchers approved by the chairman of the committee or the chairman of the subcommittee that may be in charge of said investigation.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. CHAVEZ:

S. 2922. A bill for the relief of Mr. and Mrs. Juan Ramirez; to the Committee on Claims.

By Mr. NYE:

S. 2923. A bill for the relief of Joseph Darabout; and

S. 2924. A bill for the relief of Joseph Darabout; to the Committee on Finance.

(Mr. NORRIS introduced Senate bill 2925, which was referred to the Committee on Agriculture and Forestry, and appears under a separate heading.)

By Mr. THOMAS of Oklahoma:

S. 2926 (by request). A bill for the relief of the Osage Tribe of Indians in Oklahoma; to the Committee on Claims.

By Mr. WALSH (for himself, Mr. BYRNES, Mr. BROWN, and Mr. LA FOLLETTE):

S. 2927. A bill to authorize the Secretary of Agriculture to enter into cooperative agreements or leases with the owners of forest lands in order to provide for their management in accordance with proper forestry practices, and for other purposes; to the Committee on Agriculture and Forestry.

By Mr. LA FOLLETTE:

S. 2928. A bill providing for payment to the State of Wisconsin for certain State-owned lands which the United States by treaties granted to certain Indian tribes; to the Committee on Indian Affairs.

TAXATION OF TENNESSEE VALLEY AUTHORITY PROPERTIES

Mr. NORRIS. Mr. President, when the Congress recently passed the act amending the Tennessee Valley Authority Act, having for its object carrying out the tentative program of purchase by the Authority, there was considerable agitation in regard to the money, if any, that should be paid by the Tennessee Valley Authority in lieu of taxation.

I promised at that time, both in the Senate and outside, that I would introduce a bill covering that subject as soon as possible; that the subject was under discussion by experts of the T. V. A., Federal authorities, and State authorities; and that it would require some time to complete those studies. Mr. President, those studies have not as yet been completed, but I desire to fulfill the promise I made; and today Representative SPARKMAN, of Alabama, of the House of Representatives, and I are each introducing identical bills in the House and Senate for the purpose of eliciting criticism, study, and

advice on this very complicated subject. It is not our intention that hearings even be had at this session of Congress, but the desire is to obtain sufficient publicity and to elicit recommendations and suggestions concerning the problem from any party interested, either on the side of the Federal Government or of the States.

I ask consent to introduce that bill in the United States Senate, and also ask that it be printed in the RECORD, and that, in connection with it, in the RECORD there be printed a letter to me from Dr. Morgan, Chairman of the Tennessee Valley Authority Board, together with some statistics showing the study that has thus far been made on the subject and some conclusions that have been reached; and also publish with it in the RECORD a joint statement from Representative SPARKMAN, of Alabama, and myself as to the objects to be accomplished or attempted to be accomplished by the bill and the purpose of introducing the bill at this time.

The VICE PRESIDENT. Without objection, the bill will be received and properly referred, and together with the matters referred to by the Senator from Nebraska will be printed in the RECORD.

The bill (S. 2925) to amend the Tennessee Valley Authority Act of 1933, was read twice by its title and referred to the Committee on Agriculture and Forestry and ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That section 13 of the Tennessee Valley Authority Act of 1933 be, and the same is hereby, amended to read as follows:

"Sec. 13. In order to render financial assistance to those States and local governments in which the power operations of the Corporation are carried on and in which the Corporation has acquired properties previously subject to State and local taxation, the board is authorized and directed to pay to said States, for each fiscal year, beginning July 1, 1940, the following percentages of the gross proceeds derived from the sale of power by the Corporation for the preceding fiscal year as hereinafter provided, together with such additional amounts as may be payable pursuant to the provisions hereinafter set forth, said payments to be in lieu of taxes and to constitute a charge against the power operations of the Corporation for the fiscal year then beginning and to be made upon condition that no State, county, or local taxes shall be assessed or levied against the property, operations, or business of the Corporation; for the fiscal year (beginning July 1) 1940, 10 percent; 1941, 9 percent; 1942, 8 percent; 1943, 7½ percent; 1944, 7 percent; 1945, 6½ percent; 1946, 6 percent; 1947, 5½ percent; 1948 and each fiscal year thereafter, 5 percent. Gross proceeds, as used in this section, is defined as the total gross proceeds derived by the Corporation from the sale of power for the preceding fiscal year, excluding power used by the Corporation or sold or delivered to any other department or agency of the Government of the United States.

The payment for each fiscal year shall be apportioned among said States in the following manner: One-half of said payment shall be apportioned by paying to each State the percentage thereof which the gross proceeds of the power sales by the Corporation within said State during the preceding fiscal year bears to the total gross proceeds from all power sales by the Corporation during the preceding fiscal year; the remaining one-half of said payment shall be apportioned by paying to each State the percentage thereof which the book value of the power property held by the Corporation within said State at the end of the preceding fiscal year bears to the total book value of all such property held by the Corporation on the same date. The book value of power property shall include that portion of the investment allocated or estimated to be allocable to power. *Provided,* That the minimum annual payment to each State shall not be less than the 2-year average of the State and local ad valorem property taxes levied against power property purchased and operated by the Corporation in said State plus that portion of reservoir lands related to dams constructed by or on behalf of the United States Government and allocated or estimated to be allocable to power. The said 2-year average shall be calculated for the last 2 tax years during which said property was privately owned and operated. *Provided, further,* That the minimum annual payment to each State in which the Corporation owns and operates power property shall not be less than \$10,000 in any case. The determination of the board of the amounts due hereunder to the respective States shall be final.

The payments above provided shall in each case be made to the State not later than July 31 of each year, and it is the intention of the Congress that each State shall redistribute said payments or a portion thereof to counties and other local taxing districts affected by the program of the Corporation.

It is likewise intended that each of the said States shall in like manner redistribute all payments made in lieu of taxation paid to municipalities by municipal authorities as provided in contracts made for the purchase of power from the Corporation.

The Corporation shall, not later than January 1, 1945, submit to the Congress a report on the operation of the provisions of this section, including a statement of the distribution to the various

States hereunder and the redistribution by the States of the amounts paid to them; the effect of the operation of the provisions of this section on State and local finances; an appraisal of the benefits of the program of the Corporation to the States receiving payments hereunder and to the local subdivisions thereof, and the effect of such benefits in increasing taxable values within such States and local subdivisions; and such other data, information, and recommendations as may be pertinent to future legislation.

The letter, statistics, and statement presented by Mr. NORRIS are as follows:

TENNESSEE VALLEY AUTHORITY,
KNOXVILLE, TENN., July 28, 1939.

The Honorable GEORGE W. NORRIS,
United States Senate, Washington, D. C.

DEAR SENATOR NORRIS: Some weeks ago during the course of public hearings before the Committee on Military Affairs on the bill to amend the bond-issuing powers of the Tennessee Valley Authority, you stated that you would introduce in this session of the Congress a bill revising section 13 of the T. V. A. Act which deals with payment in lieu of taxes by T. V. A. to the States. You urged that this subject should not be dealt with in the bond legislation because, among other things, it was advisable that conferences be held between the T. V. A. and the States concerned and that further study be given to the matter. The conferences were proposed for the purpose of seeking agreement on the amount of tax losses that would arise from the transfer of private property to tax-exempt public ownership and the fiscal effects to be anticipated from such transfers. It was proposed in addition that there be an exchange of views between the T. V. A. and the various States on the complicated problem of T. V. A. contributions to the cost of State and local government.

These conferences have proceeded with due diligence. In Tennessee, Governor Cooper appointed a State committee consisting of Mr. George Fort Milton, publisher of the Chattanooga News; Mr. Lon McFarland, general counsel for the Tennessee Railroad and Public Utilities Commission, and Mr. Will Gerber, city attorney of the city of Memphis. A number of conferences were held between representatives of the T. V. A. and this State committee. In Alabama, such conferences were had with Governor Dixon, Mr. John W. Lapsley, counsel for the State department of revenue, the commissioner and representative of the department of revenue, and also with an interim committee of the State legislature appointed for the purpose of considering this subject. In Georgia, conferences were had with Governor Rivers and other State officials. In Kentucky, the conferences included Governor Chandler and Acting Commissioner of Revenue Reeves. In Mississippi the meeting was with Governor White and Attorney General Rice, and in North Carolina with Governor Hoey.

After consideration of the findings growing out of studies made within the T. V. A. and the points of view of the States, and after extended discussion, the board has agreed to send the enclosed material to you and to Representative SPARKMAN, who also indicated that he would offer a bill on the subject. Included are a draft of a recommended bill to replace section 13 of the T. V. A. statute and preliminary estimates of the payments under the proposed bill and their distribution among the several States during the fiscal years (beginning July 1) 1940-44. Although a reading of this draft will indicate clearly its content, some additional comments may be useful.

1. The in-lieu-payment problem involves fundamental policy considerations as well as public-finance issues that are more technical in character. There was considerable difference of opinion on the issues involved within the T. V. A. staff itself and among the able tax consultants who considered the problem. Differing and conflicting interests were found among the States and between the Authority and the various States.

2. The draft of the recommended bill provides that the payment by the T. V. A. to the States as a contribution to the cost of State and local government be 10 percent of gross proceeds from the sale of power for the first year and that it be graduated downward over a period of years to 5 percent. Due to the expanding gross revenues of the T. V. A. from the same service area and without any expansion of its market area the declining percentages are estimated to yield substantially a constant amount until 1949. After that date the amount payable to the States under the constant 5 percent would increase in proportion to revenue expansions.

3. The enclosed statistical tables show that the total estimated annual payments to the States will be approximately \$1,200,000. The percentages of gross proceeds from power sales provide about \$1,100,000 of this annual payment. The remaining \$100,000 is added because of a proviso that the minimum annual payment shall be equal to the former State and local ad valorem property taxes levied on property acquired from utility companies and on that share of the purchased reservoir lands properly allocated to power.

4. An important feature of this recommended bill is a formula for the allocation among the several States of the total payment set aside by T. V. A. for tax equivalents. This formula gives equal weight to (a) T. V. A. power-property investment in the State and (b) T. V. A. power revenues derived in the State. Estimates of the percentage distribution by States of power sales and power property are given in the accompanying tables for the fiscal years (beginning July 1) 1940-44.

5. The minimum payment of \$10,000 a year to each State means that prior to an allocation of properties in process of construction in North Carolina (Hiwassee) and Kentucky (Gilbertsville, now known as the Kentucky Dam) these States will receive some revenue in recognition of the tax problem which certain of their counties in the reservoirs will experience.

6. The payments to the States under the proposed bill are less than the total of State and local taxes formerly collected on the purchased property and operations of privately owned utilities and private landowners. We consider the 10-percent payment for the first year to be a fair State and local tax equivalent. Since the power program of the Authority is conferring valuable benefits in the area and is producing and marketing a volume of power greatly in excess of the operations that could have been expected under private ownership, it appears equitable that a portion of this tax equivalent be retained by the Authority for the Federal Treasury. The report required on January 1, 1945, should indicate whether or not the allowance for such benefits conforms to sound and desirable fiscal policy.

The only subject dealt with in this recommended draft of bill is the Federal Government's contribution on property which it owns; the contribution to the State and local subdivisions by municipalities and other public agencies owning their own electric facilities is, of course, not included in these computations nor covered by this proposed bill. We have reason to believe that the States—certainly the State of Tennessee, which is most extensively affected—will enact State legislation providing for such payments by municipalities to the State and other local agencies.

As you know, the T. V. A. Board has committed itself to indicate to the States and other interested parties the results of its investigation of the facts and its recommendations respecting tax adjustment. Such a report, directed to the agencies with whom we have been conferring, will be made sometime next week.

Drafts of this letter and the proposed amendment to section 13 have been submitted to the Bureau of the Budget, which has advised that there would be no objection to their transmission with the understanding that no commitment would thereby be made with respect to the relationship of the proposed legislation to the program of the President.

Sincerely yours,

TENNESSEE VALLEY AUTHORITY,
HARCOURT A. MORGAN,
Chairman of the Board.

Preliminary estimates of payments to the States under the recommended draft of the proposed amendment to replace sec. 13, fiscal years (beginning July 1) 1940-44

State	Amount of percentage payment allocated by formula ¹	Amount added by proviso ²	Total payment
1940, rate 10 percent			
Alabama.....	\$238,710		\$238,710
Georgia.....	19,480	\$41,874	61,354
Kentucky.....	103	9,897	10,000
Mississippi.....	40,610	29,472	70,082
North Carolina.....	309	9,691	10,000
Tennessee.....	731,488	115,614	847,102
Total.....	1,030,700	206,548	1,237,248
1941, rate 9 percent			
Alabama.....	\$239,025		\$239,025
Georgia.....	19,118	\$42,236	61,354
Kentucky.....	226	9,774	10,000
Mississippi.....	43,235	26,757	70,082
North Carolina.....	25,678		25,678
Tennessee.....	803,838	43,264	847,102
Total.....	1,131,210	122,031	1,253,241
1942, rate 8 percent			
Alabama.....	\$243,023		\$243,023
Georgia.....	15,837	\$45,517	61,354
Kentucky.....	705	9,235	10,000
Mississippi.....	40,741	29,341	70,082
North Carolina.....	29,709		29,709
Tennessee.....	762,165	84,937	847,102
Total.....	1,092,240	169,030	1,261,270

¹ Allocation: $\frac{1}{2}$ according to location of power property including the portion of multipurpose investment allocated or estimated to be allocable to power; $\frac{1}{2}$ according to power sales.

² The minimum payment is the ad valorem property taxes on power property purchased from utility companies plus ad valorem property taxes on the portion of reservoir lands of multipurpose projects allocated or estimated to be allocable to power or \$10,000, whichever is higher.

Preliminary estimates of payments to the States under the recommended draft of the proposed amendment to replace sec. 13, fiscal years (beginning July 1) 1940-44—Continued

State	Amount of percentage payment allocated by formula	Amount added by proviso	Total payment
1943, rate 7½ percent			
Alabama.....	\$234,383		\$234,383
Georgia.....	14,848	\$46,506	61,354
Kentucky.....	770	9,230	10,000
Mississippi.....	41,575	28,507	70,082
North Carolina.....	29,367		29,367
Tennessee.....	778,932	68,170	847,102
Total.....	1,099,875	152,413	1,252,288
1944, rate 7 percent			
Alabama.....	\$220,485		\$220,485
Georgia.....	13,842	\$47,512	61,354
Kentucky.....	1,428	8,572	10,000
Mississippi.....	41,856	28,226	70,082
North Carolina.....	27,684		27,684
Tennessee.....	793,285	53,817	847,102
Total.....	1,098,580	138,127	1,236,707

Distribution of estimated payment in lieu of taxes on the basis of 10 percent of gross in 1940, 9 percent in 1941, 8 percent in 1942, 7½ percent in 1943, and 7 percent in 1944, apportioned according to formula giving equal weight to power property and power sales

State	1940	1941	1942	1943	1944
Amount					
Alabama.....	\$238,710	\$239,025	\$243,023	\$234,383	\$220,485
Georgia.....	19,480	19,118	15,837	14,848	13,842
Kentucky.....	103	226	765	770	1,428
Mississippi.....	40,610	43,325	40,741	41,575	41,856
North Carolina.....	309	25,678	29,709	29,367	27,684
Tennessee.....	731,488	803,838	762,165	778,932	793,285
Total.....	1,030,700	1,131,210	1,092,240	1,099,875	1,098,580
Percentage					
Alabama.....	23.16	21.13	22.25	21.31	20.07
Georgia.....	1.89	1.69	1.45	1.35	1.26
Kentucky.....	.01	.02	.07	.07	.13
Mississippi.....	3.94	3.83	3.73	3.78	3.81

Preliminary estimated gross receipts¹ from Tennessee Valley Authority power sales, by States, for the fiscal years 1940-44²

[Gross sales in thousands of dollars]

State	1940 ³		1941		1942		1943		1944	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Alabama.....	930,000	9.02	1,340,000	10.66	1,775,000	13.00	1,880,000	12.82	2,000,000	12.74
Georgia.....	50,000	.49	60,000	.48	66,000	.49	73,000	.50	80,000	.51
Kentucky.....	2,000	.02	4,000	.03	6,000	.04	6,000	.04	7,000	.05
Mississippi.....	390,000	3.78	460,000	3.66	500,000	3.66	550,000	3.75	600,000	3.82
North Carolina.....	5,000	.05	5,000	.04	6,000	.04	6,000	.04	7,000	.05
Tennessee.....	8,930,000	86.64	10,700,000	85.13	11,300,000	82.77	12,150,000	82.85	13,000,000	82.83
Total.....	10,307,000	100.00	12,569,000	100.00	13,653,000	100.00	14,665,000	100.00	15,694,000	100.00

¹ Excluding power used by the Authority or sold or delivered to any other department or agency of the Government of the United States.

² The sales estimates for each year have been reduced by about \$775,000 to allow for contingencies such as the curtailment in delivery of interruptible and secondary power to industry.

³ Revenue estimates assumes transfer of Tennessee Electric Power, Alabama and Mississippi properties by Aug. 15, 1939.

Preliminary estimates of the percentage distribution of the book value of power property,¹ by States, for the years 1940-44

State	1940	1941	1942	1943	1944
Alabama.....	37.3	31.6	31.5	29.8	27.4
Georgia.....	3.3	2.9	2.4	2.2	2.0
Kentucky.....	0	0	.1	.1	.2
Mississippi.....	4.1	4.0	3.8	3.8	3.8
North Carolina.....	0	4.5	5.4	5.3	5.0
Tennessee.....	55.3	57.0	56.8	58.8	61.6
Total.....	100.0	100.0	100.0	100.0	100.0

¹ Property devoted exclusively to electric purposes plus common property allocated to electric purposes.

Distribution of estimated payment in lieu of taxes on the basis of 10 percent of gross in 1940, 9 percent in 1941, 8 percent in 1942, 7½ percent in 1943, and 7 percent in 1944, apportioned according to formula giving equal weight to power property and power sales—Continued

State	1940	1941	1942	1943	1944
Percentage					
North Carolina.....	0.03	2.27	2.72	2.67	2.52
Tennessee.....	70.97	71.06	69.78	70.82	72.21
Total.....	100.00	100.00	100.00	100.00	100.00

Preliminary estimate¹ of State and local property tax losses resulting from completed and proposed Tennessee Valley Authority purchase of electric-utility properties and reservoir lands, July 13, 1939

State	Former ad valorem tax levies on property purchased or proposed for purchase by Tennessee Valley Authority			
	Utility-company properties	Reservoir land	40 percent (tentative allocation for power purposes)	Total utility company plus 40 percent reservoir land
Alabama.....	\$53,261	\$85,841	\$25,936	\$79,197
Georgia.....	61,354			61,354
Kentucky.....		10,000	4,000	4,000
Mississippi.....	69,029	2,632	1,053	70,082
North Carolina.....		6,320	2,528	2,528
Tennessee.....	803,382	109,300	43,720	847,102
Total.....	987,026	193,093	77,237	1,064,263

¹ In general, estimates are calculated on basis of tax levy for year preceding date of Tennessee Valley Authority acquisition of properties. Data are not available for computing tax losses on basis of a 3-year average.

² Minimum payment to States guaranteed under proposed amendment to sec. 13. Drafted July 13, 1939.

³ Includes \$1,725 State and local property taxes estimated to have been lost through War Department land purchases for Wilson Dam, Reservoir, and a small amount of reservation located north of the Tennessee River.

⁴ Estimate based upon probable Tennessee Valley Authority land acquisition through fiscal year 1940. Preliminary data indicate that the ultimate tax-revenue loss as a result of Tennessee Valley Authority purchase of reservoir lands in Kentucky may approximate \$15,000.

⁵ Includes total computed tax losses resulting from Pickwick, Guntersville, Chickamauga, and Norris Reservoirs, plus estimate of \$10,000 for Gilbertsville and \$5,000 for Watts bar reservoirs. Preliminary data indicate that the ultimate tax-revenue loss as a result of Tennessee Valley Authority purchase of reservoir lands for the Gilbertsville project in Tennessee may approximate \$50,000, and for the Watts bar project, \$30,000.

JOINT STATEMENT OF REPRESENTATIVE SPARKMAN, OF ALABAMA, AND SENATOR NORRIS, OF NEBRASKA, RELATING TO BILL INTRODUCED TO AMEND SECTION 13 OF THE TENNESSEE VALLEY AUTHORITY ACT OF 1933, WITH REFERENCE TO CONTRIBUTIONS OF THE TENNESSEE VALLEY AUTHORITY, IN LIEU OF TAXATION

JULY 31, 1939.

We have today introduced in the House and the Senate identical bills, the purpose of which is to amend section 13 of the Tennessee Valley Authority Act to provide for payments to the States by the Tennessee Valley Authority, in lieu of taxation.

The bill provides that a fund shall be created for this purpose by a levy upon the gross receipts from power sales in the fiscal year 1940 of 10 percent of such sales. This percentage shall gradually be reduced during succeeding fiscal years until the fiscal year 1948 and thereafter, when such percentage shall

be 5 percent. It is estimated that on account of increased sales practically the same amount of money will be raised during each of these years.

This fund so created shall be divided among the States where the properties of the T. V. A. are located, as follows: One-half of said fund shall be apportioned by paying to each State the percentage thereof of which the gross proceeds of the power sales by the corporation within such State during the preceding fiscal year bears to the total gross proceeds from all sales of power. The other one-half of said fund shall be apportioned by paying to each State the percentage thereof which the book value of the power property held by the corporation within said State bears to the total book value of all property held by the T. V. A. on the same date. The book value of the power property includes that portion of the investment allocated to power. It is provided that the minimum annual payment to each State under this division shall not be less than the 2-year average of State and local ad valorem property taxes levied against said property purchased and operated by the T. V. A. in said State, plus that portion of reservoir lands related to dams constructed by the Government of the United States and allocated to power. The 2-year average is calculated for the last 2 years during which said property was privately owned and operated.

The bill we have introduced is tentative in its nature. We do not intend to attempt to secure the passage of the bill at this session. We introduce it now for the purpose of inviting criticism from all interested parties. We expect further studies to be made of the subject matter by the T. V. A., the tax representatives of the various States affected, and other experts representing the Government of the United States between now and the beginning of the next session of Congress, at which time it is also our expectation that such studies will be completed and that hearings shall be held upon the bill, with a view of changing or correcting anything that appears to be wrong as a result of such studies, that Congress may be informed of all the facts relating to the subject, so that legislation can be had at the beginning of the next session of Congress.

We desire, also, to call attention to the fact that the money to be raised by the provisions of this bill is not the only contribution made in lieu of taxes. When the T. V. A. contracts with a municipality to sell power, it is provided in said contract there shall be paid out of revenues received from the sale of power a sum equal to what the distribution system would pay in taxes, if such system were privately owned. The various sums thus raised should be added to the fund created by the bill in order to get a true picture as to what the entire T. V. A. system would pay in lieu of taxes, if this is enacted into law.

We have also had printed in the CONGRESSIONAL RECORD a letter from the chairman of the Board of the Tennessee Valley Authority, with accompanying tables and statistics, showing the study which has thus far been made by the T. V. A. and the various State representatives of this very perplexing question.

FOREST RESTORATION

Mr. WALSH. Mr. President, in behalf of myself, Senator BYRNES, of South Carolina, Senator BROWN, of Michigan, and Senator LA FOLLETTE, of Wisconsin, I ask consent to introduce, for appropriate reference, a bill embodying a forest-restoration plan. The purpose of the bill is to restore idle forest land to production and help to rehabilitate men and bring communities new forest areas without additional appropriations—the money to pay for the work being transferred from relief or public works funds to the Secretary of Agriculture who would use the funds as a form of credit to improve those lands. The bulk of the work would be done in distressed forest regions where the struggle for existence is most strenuous. These regions are located in the sections of the country where the forests have been denuded, namely: New England States, Midwestern Lake States, and Southern States. It is believed the proper development of these areas will afford both an opportunity for worth-while employment of relief labor on the basis of recovery in part of the labor cost and will also result in community betterment and an economic gain of substantial proportions.

It is estimated the program of forest work, if carried out on a Nation-wide scale, would give temporary part-time employment to as many as 1,000,000 relief workers in localities adjoining rural areas.

The plan is to be administered by the Secretary of Agriculture in association with State forestry agencies, voluntary State committees, and county advisory committees.

The essence of the plan is the leasing by the Government of private-owned depleted forest lands by voluntary contractual agreement. No owner of denuded forest lands is under any compulsion to lease his land. The rental under the lease, payable annually by the Government to the own-

ers, is an amount not exceeding the annual average of the taxes for the preceding 5 years. This rental would permit the owner to pay his local real-estate tax. The term of the lease by the Government from the owner would run until the Government has obtained reimbursement for its expenditures to the extent of 50 percent, without interest in all cases, except where the lease embraces more than 500 acres from an owner. In such cases the reimbursement to the Government is to be 100 percent.

The owner may, at any time, terminate his lease with the Government if he refunds the advances made by the Government on his land.

The work by the Government is to include planting, harvesting, and marketing of forest products, all costs paid by the Government.

It is believed this plan will encourage villages, towns, and school districts to start a community forest since the plan will aid and assist them in properly managing the property.

Preference in employment under this program of work is to be given to the owner or occupant of the lands in the forest restoration units and to qualified local persons in need of employment in the vicinity of these areas.

The plan has been under consideration for some time by a number of public-spirited citizens residing in the areas and after consultation and cooperation with the Federal Forest Service, and is now submitted to the Congress for study and investigation.

The VICE PRESIDENT. Without objection, the bill will be received and appropriately referred.

(See Senate bill 2927, introduced today by Mr. WALSH (for himself, Mr. BYRNES, Mr. BROWN, and Mr. LA FOLLETTE), which was referred to the Committee on Agriculture and Forestry, and appears under the appropriate heading.)

EXTENSION OF CREDITS AND LOANS TO FOREIGN NATIONS AND NATIONALS

Mr. GILLETTE submitted the following resolution (S. Res. 173), which was referred to the Committee on Banking and Currency:

Resolved, That a special committee of five Senators, to be appointed by the President of the Senate, is authorized and directed to make a full and complete study and investigation with respect to (1) the extension of credits, and the lending and advancing of funds, by agencies or instrumentalities of the United States to foreign governments or to foreign governmental agencies or instrumentalities or to foreign nationals, (2) the effects and desirability of such extensions of credits and loans and advances of funds, and (3) the use which has been or may be made of such credits and funds. The committee shall report to the Senate, as soon as practicable, the results of its study and investigations, together with its recommendations.

For the purposes of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places during the sessions and recesses of the Senate in the Seventy-sixth and succeeding Congresses, to employ such clerical and other assistants, to require by subpoena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures, as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per 100 words. The expenses of the committee, which shall not exceed \$15,000, shall be paid from the contingent fund of the Senate, upon vouchers approved by the chairman.

TOBACCO INQUIRY

Mr. GEORGE. I submit a resolution for reference to the Committee on Agriculture and Forestry. With the permission of the Senate I will read the resolution, because it is in my own handwriting, and the clerk might have some difficulty in deciphering it.

The resolution (S. Res. 175) is as follows:

Resolved, That a committee of five Senators be appointed by the Vice President to inquire into:

- (1) The stocks of flue-cured tobacco now on hand, whether in the hands of growers, warehousemen or manufacturers;
 - (2) The consumption of tobacco during the last 12 months;
 - (3) The cause of the present decline in prices of unmanufactured tobacco (raw tobacco) prevailing in the 1939 market;
 - (4) What if any steps have been taken by the Department of Agriculture to stabilize the price to the American producers of the 1939 crop now coming on the market;—
- and report to the Senate at the earliest practicable time.

That \$1,000 be appropriated for such inquiry and investigation, and that the committee shall have the usual powers of investigating committees.

Mr. GEORGE. Mr. President, I ask that the resolution be referred to the committee on Agriculture and Forestry.

The VICE PRESIDENT. Without objection, it is so ordered.

INVESTIGATION OF NEGOTIATIONS BY AMERICAN CITIZENS RELATIVE TO CERTAIN OIL SALES IN MEXICO

Mr. BRIDGES submitted the following resolution (S. Res. 177), which was referred to the Committee on Foreign Relations:

Whereas various editorials and news articles have been published in the daily press from time to time concerning the activities of certain American citizens with the Mexican Government in connection with the sale, barter, or exchange of Mexican oil; and

Whereas, due to the expropriation of certain American-owned oil properties by the Mexican Government, such activities of the American citizens are vitally important to the Government of the United States; and

Whereas it is alleged that a certain official or officials of the United States Government have appeared in Mexico and made public statements to the effect that the expropriation of the said property of certain American citizens was in accord with the social objectives of the New Deal; and

Whereas it is alleged that the expropriated property of the said American citizens has been sold, traded, or bartered to certain foreign powers with the aid, assistance, and connivance of American citizens to the detriment of American trade and industry; and

Whereas it is alleged that certain American citizens, members of the Congress of Industrial Organization and the Non-Partisan Labor League, were active in promoting the expropriation of the said properties of American citizens; and

Whereas the said expropriation of American-owned properties in Mexico is not compatible with the so-called good-neighbor policy maintained by the United States and Central and South American governments; and

Whereas it is alleged that certain of the above-mentioned American citizens who are concerned with the activities in connection with the expropriation of the said American properties in Mexico have been large contributors to political campaigns in the United States; and

Whereas the United States Government aids and assists the Mexican Government, which has expropriated the above-mentioned properties of American citizens, by its purchase of Mexican silver at a premium: Now, therefore, be it

Resolved, That a committee of three Senators be appointed by the President of the Senate and directed to make a full and complete investigation of any and all negotiations carried on by officials of the United States Government or other citizens of the United States with the Mexican Government, or any official thereof, or citizens thereof, in connection with the sale, barter, exchange, or trade of oil produced on American-owned property expropriated by the Mexican Government, with the view of determining whether such editorials, news articles, or other statements made in connection with such negotiations are true or whether any criminal statute of United States has been violated. The committee shall report to the Senate as soon as practicable after the commencement of the next session of the Seventy-sixth Congress the results of the investigation, together with its recommendation, if any, for necessary legislation. For the purposes of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places during the recesses and adjourned periods of the Senate in the Seventy-sixth Congress, to employ such clerical, investigators, and other assistants, to require by subpoena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of such hearings, which shall not exceed \$25,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

SURPLUS PURCHASES OF DAIRY PRODUCTS—ADDRESS BY SENATOR LA FOLLETTE

[Mr. LA FOLLETTE asked and obtained leave to have printed in the RECORD a radio address by himself, broadcast by transcription over station WHA, Madison, Wis., on June 29, 1939, on the subject, Surplus Purchases of Dairy Products, which appears in the Appendix.]

DIAMOND JUBILEE OF CIGAR MAKERS INTERNATIONAL UNION—ADDRESS BY SENATOR MEAD

[Mr. MEAD asked and obtained leave to have printed in the RECORD a radio address delivered by him at the Raleigh Hotel, Washington, D. C., on June 28, in connection with the seventy-fifth anniversary of the Cigar Makers International Union of America, which appears in the Appendix.]

SERMON AT FUNERAL SERVICES OF THE LATE REPRESENTATIVE LORD

[Mr. MEAD asked and obtained leave to have printed in the RECORD the sermon delivered by Rev. Fred J. Nichols, pastor, First Baptist Church, Afton, N. Y., at the funeral services of Hon. Bert Lord, late a Member of Congress, which appears in the Appendix.]

THE UNITED STATES AND THE WORLD WAR—ARTICLE BY HON. GEORGE WHARTON PEPPER

[Mr. BORAH asked and obtained leave to have printed in the RECORD an article entitled "Never Again," written by Hon. GEORGE WHARTON PEPPER, and published in the American Legion for August 1939, which appears in the Appendix.]

CONSCRIPTION IN CASE OF WAR

[Mr. WHEELER asked and obtained leave to have printed in the RECORD an article under the heading "M-Day and after," by Cabell Phillips and J. D. Radcliffe, condensed from the American Legion magazine, which appears in the Appendix.]

HON. JAMES A. FARLEY

[Mr. GILLETTE asked and obtained leave to have printed in the RECORD several editorials concerning Hon. James A. Farley, which appear in the Appendix.]

THE UNITED STATES AND WORLD PEACE—ADDRESS BY HON. PAUL V. McNUTT

[Mr. MINTON asked and obtained leave to have printed in the RECORD an address by Hon. Paul V. McNutt, delivered on International Peace Day, World's Poultry Congress, Cleveland, Ohio, July 30, 1939, on the subject of the United States and World Peace, which appears in the Appendix.]

ADDITIONAL FEDERAL JUDGESHIPS

[Mr. REED asked to have printed in the RECORD an editorial dealing with creation of additional Federal judgeships, entitled "No Fifth Judgeship," published in the Newark Evening News of Thursday, July 27, 1939, which appears in the Appendix.]

AMERICAN SECRETARIES OF STATE

[Mr. McKELLAR asked and obtained leave to have printed in the RECORD an editorial dealing with the American Secretaries of State, entitled "Our Cabinet Premiers," published in the Nashville Banner of July 29, 1939, which appears in the Appendix.]

AMERICA'S RESPONSIBILITY

[Mr. SHIPSTEAD asked and obtained leave to have printed in the RECORD two editorials published in the Montreal Daily Star, one on June 22, 1939, entitled "Should Britain Fight Japan Alone?" and the other, on June 27, 1939, entitled "Why Not Redeem Woodrow Wilson's Pledges?" which appear in the Appendix.]

AMERICA AND WORLD PEACE

[Mr. BONE asked and obtained leave to have printed in the RECORD an article on the subject of America and world peace, entitled "Civilization in Our Keeping?" by Stuart Chase, published in Common Sense of August 19, 1939, which appears in the Appendix.]

VICE PRESIDENT GARNER

[Mr. CLARK of Missouri asked and obtained leave to have printed in the RECORD an editorial on Vice President Garner, of Texas, entitled "For the Enemies He Has Made," published in the Nashville Tennessean, Friday, July 28, 1939, which appears in the Appendix.]

RESIGNATION OF JESSE H. JONES AS CHAIRMAN OF THE BOARD OF THE RECONSTRUCTION FINANCE CORPORATION

Mr. CONNALLY. Mr. President, I ask unanimous consent to have printed in the RECORD the letter from Jesse H. Jones, tendering his resignation as Chairman of the Board of the Reconstruction Finance Corporation, together with resolutions passed by the Board extending their felicitations to Mr. Jones on the new avenues of useful activity opened to him in his position as Federal Loan Administrator.

There being no objection, the matters were ordered to be printed in the RECORD, as follows:

RECONSTRUCTION FINANCE CORPORATION,
Washington, July 15, 1939.

To the BOARD OF DIRECTORS:

I hereby tender you my resignation as Chairman of our Board. Tomorrow I shall resign as a director of the Corporation to accept appointment by the President as Federal Loan Administrator.

I need not tell you that I resign as your Chairman and leave the Board with a heavy heart. Not because I feel that someone else cannot take my place, and do as well both as a director and as Chairman, but because of the more than 7 years' association with you and the others who have served on the Board and in the Corporation since it was organized February 2, 1932.

It is my belief that no body of men in public or private business has ever gotten along more harmoniously than our Board and those who have served the Corporation with us.

Bipartisan by act of Congress, I am glad to be able to say that politics and partisanship have never influenced our decisions.

The R. F. C. has rendered a great service to the American people, far greater than can be generally known. It has averted ruin and disaster for millions of our citizens.

It has saved millions of depositors and shareholders in banks and building and loan associations; it has strengthened the banking system of the country, making loans to and putting capital in more than 10,000 banks; it has aided millions of farmers and stockmen through loans and advances on their products and livestock, and through refinancing drainage, levee, and irrigation districts has enabled a great many farmers and landowners to reduce by two-thirds the water and debt charges on their lands; it has helped thousands of home owners save their homes, and made possible the construction of many new homes; it has created work for millions of people through loans to business enterprises and for useful public works; it has extended aid to thousands of victims of disasters; and in many other ways has contributed to the economic stability of our country.

All this has been accomplished without any net loss or cost to the Government, and yet every deserving borrower who has asked for credit has been given credit where he could comply with the letter and the spirit of the law under which we operate.

If I were leaving the R. F. C. entirely, I would be unhappy beyond expression. I love the organization, and have a deep affection for every member of it. I appreciate the service and loyalty they have given it, and like to believe that everyone connected with the Corporation has the same pride in its achievements that I have. I love the very name "R. F. C." It represents 7½ years of my life, and is a part of me.

With every good wish for its continued success,

Sincerely yours,

JESSE H. JONES, *Chairman.*

Whereas Jesse H. Jones became a member of the Board of Directors of the Reconstruction Finance Corporation on February 2, 1932, the date the Corporation was organized, and was elected Chairman of the Board on May 5, 1933; and

Whereas Mr. Jones has been appointed by the President of the United States Federal Loan Administrator, in charge of the Federal Loan Agency, of which this Corporation is a part; and in consequence thereof has resigned as Chairman and a member of this Board: Now, therefore, be it

Resolved, That the members of the Board of Directors of this Corporation express to Mr. Jones their sincere congratulations and best wishes in his new undertaking and their genuine happiness that they will continue to be closely associated with him as Federal Loan Administrator; that

It is the sense of the Board that the great emergency service which the R. F. C. has rendered in a national crisis has been due in greatest measure to the statesmanship and rare business ability of Mr. Jones, whose outstanding qualities of leadership have commanded public confidence; that

His attributes of high character, understanding of human problems, and devotion to the public interest have been an inspiration to his associates and have endeared him to the people of all political faiths, so much so that the R. F. C. and Jesse Jones have become synonymous in the public mind; that

It is the unanimous view of the members of this Board, concurred in by the entire staff, that there be recorded in the minutes of this Corporation an expression of their genuine love and friendship for Mr. Jones; and that it has been a privilege to serve with him on the Board of Directors of the R. F. C., and it will be an honor to serve under him as Federal Loan Administrator; be it further

Resolved, That these resolutions be spread upon the minutes of this Corporation this the 17th day of July 1939, and an engrossed copy thereof, signed by the members of the Board, be transmitted by the secretary, under the seal of the Corporation, to Mr. Jones with the high esteem and affectionate regard of the members of the Board and the entire staff of the Corporation; be it further

Resolved, That a copy of these resolutions be transmitted by the Secretary to the President of the United States, the President of the Senate, and the Speaker of the House of Representatives.

Attest:

EMIL SCHRAM, *Chairman.*
CARROLL B. MERRIAM, *Director.*
CHARLES B. HENDERSON, *Director.*
H. J. KLOSSNER, *Director.*
GEORGE R. COOKSEY, *Secretary.*

UNEMPLOYMENT AND CORRELATED PROBLEMS OF SECURITY—
ADDRESS BY W. ARTHUR SIMPSON

Mr. AUSTIN. Mr. President, I ask unanimous consent to have printed in the RECORD an address entitled "Unemployment and Correlated Problems of Security," delivered by Hon. W. Arthur Simpson, director of old-age assistance, State of Vermont, at the Social Work Institute, University of New Hampshire, Durham, N. H., on July 31, 1939.

In this connection, I wish to call attention to certain phrases which are contained in the address. I quote only a part of it:

The dangerous trend in social legislation today is toward a federally paid pension for the aged without regard to need and the abandonment of the social concept of insurance to each on the basis of earned contributions.

Again:

Any attempts to fix minimum amounts of public assistance by legislative enactment destroys the means test as a requisite for aid. Good social practice requires that public assistance be given on the basis of need as determined by sound budgetary standards. Any other policy will lead to endless political manipulation and abuse, and would be economically disastrous.

We have embarked on a great social experiment. The program represents the most comprehensive insurance undertaken in the world. Its provisions are as liberal as can be expected from any Government. It remains to be seen whether the country will be financially able to carry out these new and stupendous social undertakings.

The best friend of social security is the friend who keeps it solvent.

Mr. Simpson has had a distinguished record as administrator of social security in the State of Vermont, and I regard his address as important for public consideration.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

ADDRESS BY W. ARTHUR SIMPSON, DIRECTOR OF OLD-AGE ASSISTANCE, STATE OF VERMONT, AT THE SOCIAL WORK INSTITUTE, UNIVERSITY OF NEW HAMPSHIRE, DURHAM, N. H., JULY 31, 1939

For many years in this country we went on the theory that any man who wanted a job could get it; and if he worked hard, he could support himself without the help of Government. Private initiative and enterprise and our policy of encouraging industry and thrift had resulted in the American system under which a reasonable economic prosperity was more nearly universal than in any other country in the world. Our living was more expensive and more enjoyable than any developed elsewhere at any time in human history. It required 300 years of sacrifice, hard work, careful planning, and prudent saving to build this Nation into the high position it occupies among the nations of the world.

The depression which began in 1929 brought home to everyone that even America was no Utopia, that many people could not secure work, that many hard workers were unable to provide for their old age, and that savings had been wiped out or exhausted and earnings from investments had been greatly reduced. The uncertainties of jobs, wages, and of returns from efforts put into farming and other producing occupations have been and are ever-increasing factors in the great social problem of the Nation.

America was largely a self-sustaining country for over 200 years. A majority of its citizens lived off the land or in relatively small self-sustaining communities supplying their own needs. The Nation had tremendous room for expansion. Life was not easy, sacrifice and hard work were essential to existence, but opportunity was virtually unlimited. Less than 100 years ago our great industrial developments were in their infancy. The shoe business and then textiles were the first great New England industries which built up our urban centers and drained away the young blood from the farms of Vermont, New Hampshire, and Maine. With approximately every 20 years new and specialized great industries came into operation in the Nation. The employment of persons in industry was progressively increased in an expanding ratio for nearly two generations.

In our most prosperous year, 1929, there were gainfully employed 36,000,000 workers. A decade later, this year, we have gainfully employed only 33,000,000 workers, in spite of the fact that about 10,000,000 new workers have grown up and become available in the Nation. A simple mathematical calculation gives the reason for many of our prevailing social and economic problems.

Agriculture has passed from the self-sustaining stage to a highly specialized industry hedged about by many man-made restrictions. It is at the mercy not of the elements alone but of highly organized distributors. Specialized agriculture is in competition not only with other parts of the Nation but with many and similar products from abroad negotiated for through trade pacts with the entire world. Consequently, nearly all the rural sections of our northern New England States are progressively declining in productive land use, in population, and particularly in taxing ability. We must not forget that all the civilizations of history came into being and were supported by the self-sustaining way of life.

This country was built up by the constant establishment of new business and the expansion of old businesses. In every city and every village throughout the country men were constantly starting out on their own initiative to improve on the enterprises of others or develop a new product. They put a few men to work. If successful, they expanded to employ ten or a hundred or thousands. If unsuccessful, they passed from the picture without need of Government subsidy. New methods of production were found and small industries expanded into large industries. Men were willing to spend their time and their money in order that they might provide more completely for themselves and their family in their old age, in order that they might rise above the average standard of living and enjoy a little more luxury or a little more power. In the last 6 years this process has come to an end.

The first and most important problem is that of unemployment. The question is how we can encourage again in the United States the tremendous volume of private enterprise which existed in the twenties. Our national income is still far below that of 1928, although there are 10,000,000 more people today among whom it must be divided. If we could get back to the business activity of those days, we should have a \$90,000,000,000 income, 40 percent larger than we have today. Any such increase would take up the greater part of the present unemployment. Unless it can be cured we may have to admit that the whole American system of democratic government is a failure.

Further reference to the background of the problems of insecurity are unnecessary, nor is it my purpose to review the social security legislation which has been enacted for the very laudable purpose of erecting barriers against some of the hazards and vicissitudes of life. Some of us are concerned with one particular group, but we are all enlisted in the broad field of public service.

We have adopted the principle that unfortunate people must be assisted by Government and, since the resources of local governments are limited, we have recognized that the State and Federal Governments must supply a portion of the financial help. Programs of this nature are humanitarian in character and have met with the approval of a great majority of our people and are endorsed without political bias. There can be no question that these programs must be continued. If wisely and soundly administered they offer a dignified method of self-help, either in whole, or in part. Dependency may be complete in some instances, but in a vast majority of cases, public assistance must be made objective and rehabilitative; otherwise, it will destroy itself through unbearable burden upon the taxpayer. The only people who can support men and women who cannot work, are those who are working. Obviously, even humanitarian measures must be administered conservatively and economically.

No government can long endure if any large group of its people are solely dependent upon government bounty. Otherwise, you reduce by taxation and extravagance those still engaged in productive enterprise and of necessity supporting those on relief, to the same common denominator. We cannot maintain humanitarian measures through a policy of taxation and borrowing which will completely bog down our industrial machine. Continued borrowing and a continued deficit can only lead to bankruptcy, inflation, confiscation, and repudiation.

We have been teaching all classes of our population to come to the Government for subsidies and handouts. Everybody is doing it. Every group numerous enough to form a lobby has been successful in dipping into the Treasury. The clamor to be on Government pay rolls is an indication of the trend. We may face a time when there will not be enough producers and wage earners to support privileged classes—public employees, delinquents, defectives, young children, the handicapped, and the aged.

We may be actuated by the most humanitarian motives and still insist that the menacing danger to sound programs and to the very existence of government itself lies in extreme liberalizing movements for class advantage or group control.

In many States militant minority groups constitute a voting majority under our two-party political system, and it is possible that the only method to resist these pressure groups and to avoid national confiscation, repudiation, and bankruptcy will be a coalition form of government.

It is required in this hour that the representatives of the people have vision, courage, and judgment. Politicians are continually tempted by the idea of promising from the Public Treasury greater benefits to certain groups. Thomas Jefferson dreaded a time to come when government could not be stopped from "wasting the substance of the people under pretense of taking care of them."

I realize that those who mention taxes and debt are not speaking on popular subjects. We are literally "voices crying in the wilderness." People do not want to listen to disagreeable subjects. They prefer to talk about the great unlimited resources of the Nation without being reminded of the mortgage on it. We administer relief and public assistance without thought of the future, still under the cloak of an emergency, still on a day-to-day basis and still imagining that there is some magic formula for solving the ills of the human race. There is grave need for genuine efforts toward rehabilitation and the situation constitutes a challenge to America greater than any challenge which America has faced.

We should honestly ask ourselves if the generation in control of this country today has the right to barter away the credit of the coming generation and their vested heritage. I contend that we have no right to pass on to posterity a crushing burden of debt which will put a mortgage upon the ambitions, the initiative, the ability, and the thrift of those who must take over the operation of the Nation.

The dangerous trend in social legislation today is toward a federally paid pension for the aged without regard to need and the abandonment of the social concept of insurance to each on the basis of earned contributions.

I am particularly concerned that the program for the aged be practical and sound. It must be financed in accordance with the ability of the Nation to support it, and it must not be enhanced to the detriment of other worthy and needy groups. The senior citizens of America whose work and sacrifice made it great among nations should have a sound conception of our system of government and, unless encouraged by political promises that run wild, would be the last to ask for any special consideration without reasonable effort to provide the ways and means to justify new benefits which some are promising to pay.

Any attempts to fix minimum amounts of public assistance by legislative enactment destroy the means test as a requisite for aid. Good social practice requires that public assistance be given on the basis of need as determined by sound budgetary standards. Any other policy will lead to endless political manipulation and abuse, and would be economically disastrous.

We have embarked on a great social experiment. The program represents the most comprehensive insurance undertaking in the world. Its provisions are as liberal as can be expected from any government. It remains to be seen whether the country will be financially able to carry out these new and stupendous social undertakings.

The best friend of social security is the friend who keeps it solvent.

Mr. PEPPER subsequently said:

Mr. President, the Senator from Vermont [Mr. AUSTIN] this morning put into the RECORD certain excerpts which he emphasized relative to social security. They are just three. He quoted from a speech delivered by W. Arthur Simpson as follows:

The dangerous trend in social legislation today is toward a federally paid pension for the aged without regard to need and the abandonment of the social concept of insurance to each on the basis of earned contributions.

Again:

Any attempts to fix minimum amounts of public assistance by legislative enactment destroys the means test as a requisite for aid. Good social practice requires that public assistance be given on the basis of need as determined by sound budgetary standards. Any other policy will lead to endless political manipulation and abuse, and would be economically disastrous.

The last quotation was:

We have embarked on a great social experiment. The program represents the most comprehensive insurance undertaken in the world. Its provisions are as liberal as can be expected from any government. It remains to be seen whether the country will be financially able to carry out these new and stupendous social undertakings.

I want to ask the Senator whether or not by approving the quotations he put into the RECORD he intended to intimate or disclose that he was opposed to the Townsend plan.

Mr. AUSTIN. Mr. President, I do not feel obliged to pass on that question tonight.

PROGRAM FOR FINANCING RECOVERABLE EXPENDITURES

The Senate resumed the consideration of the bill, S. 2864, to provide for the financing of a program of recoverable expenditures, and for other purposes.

Mr. TAFT. Mr. President, I offer the amendment which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The LEGISLATIVE CLERK. On page 17, line 24, after the word "loans", it is proposed to insert "approved in the case of loans made under subdivision (2) of section 4 hereof by the Federal Loan Administrator."

Mr. BARKLEY. I have no objection to that amendment.

The VICE PRESIDENT. Without objection, the amendment is agreed to.

Mr. TAFT. I offer a further amendment, which I ask to have stated.

The VICE PRESIDENT. The amendment will be stated.

The LEGISLATIVE CLERK. On page 18, line 15, it is proposed to strike out "\$200,000,000" and insert "\$125,000,000."

Mr. TAFT. The Export-Import Bank was established as a District of Columbia corporation by Executive Order 6581, under authority of the National Industrial Recovery Act. The life of the bank was extended to June 30, 1939, by the act of January 31, 1935, and further extended to June 30, 1941, by an act which we passed on March 4 of this year. That act limited the amount of loans outstanding at any one time to

\$100,000,000. The spending-lending bill proposes to increase this limit to \$200,000,000, and my amendment proposes that instead it shall be increased to \$125,000,000.

The function of the Export-Import Bank is to promote our export trade by providing credit for American exporters. It was designed to assist these exporters, large and small, by providing credit for which the existing commercial machinery is somewhat inadequate. It was not intended to make long-term loans, and the \$100,000,000 was to be revolving fund, constantly replacing itself as the short-term credits were paid off.

The Banking and Currency Committee and the Senate in February considered that \$100,000,000 was ample for the proper purposes of the bank; but I have made this amendment \$125,000,000 because that was the amount asked for by Mr. Jones in February, and I am willing to give full respect to his opinion at that time. In testifying before the House committee at that time he said:

I don't think we would ever need more than \$125,000,000. I would like to have you put that in the act. (House hearings on H. R. 2011 and H. R. 4012, p. 95.)

In testifying before the Senate committee at that time, he said:

We suggested a limitation. Probably \$100,000,000 is not quite enough, but Chairman Steagall asked me about that, and I told him we could get along with it.

The Senator from Delaware [Mr. TOWNSEND] asked:

Does that include the authorization of \$25,000,000 to China?

And Mr. Jones said:

Yes, sir.

Mr. President, if \$125,000,000 was sufficient in March, what is the reason for asking an increase at this time?

The answer is to be found in the President's letter to Senator BYRNES, which appears in the RECORD. In that letter he requests Congress to authorize him to lend \$500,000,000 to foreign governments on short-term and long-term loans for the purpose of promoting our foreign trade. That created such a furor at the time that when the bill actually came in the only proposal was that the amount be increased by \$100,000,000 and that it be given to the Export-Import Bank.

The Export-Import Bank has now outstanding, after many years' operation, loans in the sum of \$53,000,000. Even of this \$53,000,000, \$10,000,000 is to the Reconstruction Finance Corporation itself for purposes which could be handled by the Reconstruction Finance Corporation, and \$10,000,000 is a loan recently made to the International Telephone & Telegraph Co., which has only an indirect relation to exports, and, according to Mr. Jones' testimony, could be handled by the Reconstruction Finance Corporation itself. In other words, it is not required that the money be used to finance exports. The company referred to is an exporting company, but it conducts its operations in foreign lands and probably the money would be used for that purpose. If these loans were paid off, the bank would have only \$33,000,000 outstanding, and this amendment would give it \$92,000,000 more. This would be ample for all legitimate purposes of the Export-Import Bank.

I think the fact that this money is sought for the purpose of making loans to foreign governments is perfectly clear from the record which has been made. Since February the bank has loaned \$19,200,000 to the Bank of Brazil, for the purpose of freeing Brazilian exchange. In other words, Brazil was unable to pay its debts to American exporters, so we loaned them the money with which to pay those debts. It is in effect a loan to Brazil, which may be paid if the export balance of Brazil improves, and certainly will not be paid if the export balance of Brazil becomes worse. No one can tell what the condition of Brazil may be.

In addition to that, the bank has undertaken a half-million-dollar commitment to Nicaragua, with an additional commitment of \$2,000,000 for freeing exchange. It has entered into a commitment to Paraguay for half a million dollars, and apparently has made a further commitment of \$2,000,000 for sales of additional American materials. It has entered into a commitment for 5 years with the wholly Gov-

ernment-owned Bank of Uruguay for \$4,000,000. It is understood that Paraguay and Nicaragua are also to get \$2,000,000 more apiece with which to buy American goods.

In Haiti the bank has undertaken to finance, and has financed in part, \$6,000,000 worth of internal improvements, and it is said that at least 20 percent of this amount is to be spent within Haiti, while the other 80 percent is spent for importing American road machinery and the like. Mr. Jones' discussion of this matter, on page 205, is very interesting. Mr. Jones said:

I think it is entirely fair to say to this committee that these loans you are discussing—to Haiti and to Nicaragua and to Paraguay—are loans made somewhat as a big brother to a little one. There is no argument about that. We would not go out and seek to make a loan in Haiti, to make money. If we can help our whole situation by making a small loan to Haiti, we think that we have served our country and we do not think that we shall lose any money on it.

Senator TAFT. Would you extend this power of having the Government loan money to other governments all over the world?

Mr. JONES. No; I certainly would not.

However, he now testifies that there is a commitment to the Portuguese railways, which is in effect the Portuguese Government, for \$5,000,000, and a commitment to China to a total of \$25,000,000, of which some \$9,000,000 has been used.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. TAFT. I would prefer if the Senator would wait until I conclude, on account of the limitation of time.

Mr. Jones also testifies that he is contemplating more loans to Brazil for heavy equipment. When asked what other future loans were contemplated, requiring an increase at this time, he referred to loans on cotton to be sold in Spain on 27 months' credit. As far as cotton is concerned, I see no reason why the Commodity Credit Corporation should not use some of its vast resources to sell cotton on credit, if that seems to be a desirable purpose, without calling on the Export-Import Bank.

An interesting discussion of the real point of view of the Government is contained in an article by Leon M. Pearson, brother of Drew Pearson, in the Washington Times-Herald of last Thursday, which I quote:

It was a party given by Hal Horan, of Time, and the speaker was the chairman of one of the most important New Deal agencies.

We ought to take a leaf from the German notebook, and offer terms to the Latin Americans that they can't refuse. And loans—they need more money, and we have this glut of gold. It takes only a little to give them a healthy shot in the arm.

Good neighbors? We're piddling! Kissing the fingertips! What we need is a good abrazo!

To understand what lies ahead in the field of United States-Latin American relations, you have to sit in with a man like that, out of office hours. He is one of the New Deal thinkers, one of the planners. What he says is important, and he is not alone in saying it. There are two Cabinet officers who, in similar private corners, say the same thing.

Another thing in the article is interesting:

Paraguayan General Estigarribia, hero of the Chaco War, is passing good news around Asuncion these days. Just returned home from the Washington post, he is saying, in effect: "You read in the papers that we are to have half a million from the United States. The real fact is we are to have three million."

The official statement of the United States-Paraguayan agreement, dated June 13, carried only one dollar figure in the text—\$500,000. And the press stories that followed made mention of this loan. No attention was paid to the statement, which carried no dollar figure, that the Export-Import Bank would cooperate with United States exporters and with Paraguay "in arranging for the financing of equipment" for highway construction.

Discreet inquiry disclosed that this financing would reach the figure of \$3,000,000, possibly three and a half.

The question whether this Government shall loan money to foreign governments is certainly a fundamental question, which question Congress should determine. We have had a most unfortunate experience with such loans in the past, and foreign governments today owe this country more than \$10,000,000,000, which there seems to be no possibility of collecting. Short-term credits contemplated by the Export-Import Bank really are likely to be paid off. People who make the loans feel the moral obligation to see that they are paid. But once a new government comes in, its attitude

is likely to be one of complete lack of responsibility for obligations entered into years before. Unlike the other loans provided in this bill, there is no possible way in which loans to foreign governments can be collected short of war, and this country will not stand for threats of war to collect debts.

It is proposed that these loans be made to South American countries. Nearly all of these countries are in default on their obligations held in the United States.

There is inserted in the record of the hearings a list of the bonds of Latin-American countries held in this country. Out of \$1,728,000,000, \$1,277,000,000 of bonds are now in default. Of those the state of Brazil, for instance, is in default \$366,000,000. Yet we have just loaned them another \$19,000,000, and are contemplating further loans as part of the good-neighbor policy. Of those loans \$168,000,000 represents obligations of the Brazilian Government itself held in this country, and something like \$195,000,000 loans of Brazilian States and municipalities held in this country.

Some of the loans are to Mexico, which is in default \$349,000,000; and the testimony before the committee was that Mexico had a perfect record. They have never at any time paid a long-term debt held in the United States.

Those are the people to whom it is proposed that we set out on a new policy of Government loans. Whether we are justified in increasing our exports by selling the exports for silver, in effect, is a question which we debated a few days ago. But whether we are justified in selling exports for poor paper, for obligations which we cannot enforce, and which history seems to show are likely never to be paid, is certainly open to question. That is no legitimate way in which to increase the exports of the United States.

Our total export trade today is approximately two and a half billion dollars, and the most the Import-Export Bank has ever financed is about \$50,000,000 a year, or 2 percent. The increase proposed, if entirely used, would increase the total export trade of the United States only 4 percent. That certainly is not a vitally important question in our entire economy. But I think that \$125,000,000 will finance every feature of legitimate commercial enterprise, and assist American exporters as they should be assisted.

Incidentally, I notice that among the loans to foreign governments which are in default is \$289,000 due from the Government of Nicaragua, to whom it is now proposed we extend loans of additional money. I think it may be somewhat doubtful whether under the Johnson Act they would be extended, because those appear to be part of the war debts.

The total foreign debt now in default is \$11,436,000,000.

The whole purpose of this policy as I see it is to give the Government more chips in the game of international politics, if you please, supposed to be part of the good-neighbor policy. That is the purpose for which it is advanced. I question very much whether it is a legitimate part of the good-neighbor policy. I never saw a man who loaned money to all his neighbors around about who was regarded as a good neighbor for more than about 3 months after he made the loan. The Government does not make good credit for itself, it does not prove itself a good neighbor, by lending money to everybody in sight, because the day comes when it is necessary to ask the debtors for money. Uncle Sam is regarded as a Shylock today in every country in Europe simply because he is insisting on the payment of perfectly good, legitimate debts. If this policy is followed long, we will be regarded as a Shylock in every country in Latin and South America. That will be the inevitable result. It is not a policy of good neighborliness. If we cannot get the good will of South America except by sending them our goods for nothing, or for promises to pay money which, in the backs of their minds, they know they do not have to pay if they do not want to, then we might as well give up the policy.

I think all our export trade should be sound export trade. No one has criticized more than the present administration the fact that the people of this country loaned \$5,000,000,000 during the twenties for the export of foreign goods, \$5,000,000,000 which is still largely unpaid, in addition to the Gov-

ernment debts. It was an unsound policy; it was properly criticized; it was criticized because it built up on an unsound foundation large export trade in many industries which cannot possibly continue.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. TAFT. Will not the Senator wait until I conclude?

The PRESIDENT pro tempore. The Senator's time on the amendment has expired.

Mr. TAFT. I will use my time on the bill.

Mr. TYDINGS. Many loans were made by private citizens to foreign countries during the twenties, amounting to over \$13,000,000,000.

Mr. TAFT. I thank the Senator for his correction.

Mr. President, I am as anxious as anyone to build up export trade, but not to build up export trade on unsound foundations, on loans that we cannot continue making. Americans thought in the 1920's that trade could be built up on foreign loans. But they found suddenly that such loans were unsound; that those to whom the loans were made would not pay the debt, and no one would finance further loans, and all those who were to be put to work in industry on the assumption that employment would be created by this export trade were suddenly put out of work and the condition was worse than it otherwise would have been.

Mr. President, that very policy has been criticized by the Government, by the present administration; it has been criticized by no one more strenuously than by the present administration itself, and for it to come forward now and say, "We want to adopt this policy of lending money to foreign governments in order to stimulate our export trade" is an absolute reversal of the position the administration has adopted for the last 7 years.

The other day the majority leader made a general attack on the theory of "dollar diplomacy." I say if anything can be called properly by the name of "dollar diplomacy" the proposed policy can. It may be contended that the only way to get the good will of these countries is by lending them money; that the only way to get the good will of these countries is by paying out gold, by shipping our surplus all over the world, through this dollar diplomacy, this diplomacy based solely on money, on financial advantage, but I say we will get exactly what we pay for, and that is an obligation on paper, but we will not get any good will and we will not get any substantial or permanent political advantage.

Mr. President, I, therefore, say that it seems to me the time has come to end the policy of lending to foreign governments. One hundred and twenty-five million dollars will take care of every legitimate purpose of trade. The adoption of this amendment will result only in the limitation to such an amount that the Government cannot effectively continue its policy of continuing to loan money to foreign governments. I feel confident it is a matter which the Senate and the other House should decide.

The provision of the bill is another general grant of power. It says that the Government may, in effect, make treaties with Brazil or with Paraguay or other countries without the consent of the Senate. The Senate should pass on the question, and if we do pass on the question by adopting this amendment I think we can be certain that the Government, except in the most extreme and absolutely essential cases, will no longer continue the policy of extending and developing loans to foreign governments.

Mr. BARKLEY. Mr. President, when this matter came up earlier in the year, under different circumstances not connected with any intensive efforts particularly such as we are trying to make now to expand our foreign trade, Mr. Jones, the chairman of the Reconstruction Finance Corporation, and Mr. Pierson, the president of the Export-Import Bank, asked Congress to increase the capital stock of the Export-Import Bank to \$125,000,000. Congress increased it to \$100,000,000. Now the success of the Export-Import Bank, through its operations in making loans to facilitate the exportation of American products, has been not only satisfactory but I think it has been outstanding. It has now to its credit by reason of these operations a profit of \$1,700,000.

The argument made by the Senator from Ohio would almost convince one that he looked with a great deal of disfavor upon the Government of the United States doing anything to foster foreign trade or the export of American products. The argument has been made over and over again here that about 10 percent of our industrial production depends on foreign markets.

I realize that 10 percent is not so important as 90 percent, but if we are to adopt the policy of curtailing the sale of that 10 percent, or interfering with it altogether, we certainly shall be obliged to absorb that extra 10 percent in our domestic consumption, or stop that much production, and therefore throw more men and women out of employment.

It is nothing new for governments of the world to foster exports. We have sent commercial attachés and commercial representatives all over the world to work along with our consuls and our diplomats to try to find markets for American products.

The Japanese Nation is at this time concentrating on its efforts to find markets in South and Central America, and whenever they find those markets, to that extent they deprive manufacturers and laboring men in the United States of the opportunity to work and sell our products to the people to the south of us.

Loans made by the Export-Import Bank directly increase our exports of manufactured and agricultural commodities, and thereby increase employment. It is particularly true in reference to cotton and cotton products.

Most of our creditors now are promoting their trade and their exports by the extension of Government credits. In order to enable the United States to maintain its export markets abroad it is necessary that we take at least partial steps to be on a competitive basis with our chief competitors, particularly in Latin America. Several foreign countries are employing the devices of clearing agreements, subsidies, special currency units, and other instruments to obtain an increasing share of the world trade, particularly in the field of South and Central America. One of the steps this country can take to help protect its share of this commerce is to help our businessmen to sell goods abroad by giving them credit at low rates of interest.

The record of the Export-Import Bank is one of sound investment, which yields a substantial return to the Government.

Mr. President, I should like to call attention to some of these loans. The Senator from Ohio talks about ten billion or twelve billion or fourteen billion dollars now due the Government of the United States from foreign countries. The loans about which he speaks are loans which were made in connection with the war, either during it or following the World War, and they have no connection whatever with our effort here to create a corporation and to expand its operations to loan money to American institutions in order that they may finance exportations.

Mr. VANDENBERG. Mr. President—

Mr. BARKLEY. I have only 15 minutes, and I do not wish to take any time on the bill at this moment; and if the Senator will permit, I will ask him to wait until I have concluded my general observations.

So far as the defaulted debts in the United States, to which the Senator from Ohio refers, neither have they any connection with the operations of the Export-Import Bank. All these debts represented by bonds bought by American citizens were brought about through high-pressure methods of American bond and stock dealers. Our hearings back in 1932 before the Banking and Currency Committee show that many of these obligations were sold by American bankers and American bond and stock agents with the encouragement and almost with the connivance of the Government of the United States, in some cases, under another administration.

Now we are asked, because of those conditions, to deny to American industries an opportunity to sell their products and employ American labor. There is no connection whatever between the two situations.

What sort of loans have we been making? I have here a table furnished by the Export-Import Bank, giving the names of those who have acquired and who have received these loans. Here is one to Alexander Sprunt & Son, of Houston, Tex., for the purpose of exporting cotton to Czechoslovakia. That was a loan made to an American corporation to enable it to export American cotton.

Here is one to George H. McFadden & Bro., of New York.

Loans were made to other companies, as follows: Williamson Cotton Co., of Dallas, Tex.; Bartz & Co., of Dallas, Tex.; American Cotton Cooperative Association, of New Orleans.

These loans amounted to \$1,600,000, every dollar of which has been repaid.

A loan to Crespi & Co., of Dallas, Tex.

A loan to Cook & Co., of Memphis, Tenn.

A loan to Hannay-O'Donnell, of Dallas, Tex.

Another loan to George H. McFadden & Bro., of New York.

A loan to S. B. Smith & Co., of Mayfield, Ky., in order to export tobacco to Spain. That was a loan of \$672,000, all of which has been repaid except \$46,000; and the unpaid balance is secured by the deposit of foreign currencies in the United States. Without that loan not an ounce or a pound of that tobacco could have been sold. Spain was formerly a very large customer for American tobacco. Time came when there was no purchase at all by Spain of American tobacco. Through this loan the exportation and sale of tobacco was facilitated without loss to the American Government.

I have here a list of loans to other companies:

Byington Co., of New York.

Fisk Tire Export Co., Chicopee Falls, Mass.

J. & H. Goodwin, Ltd., New York.

H. S. Henry & Son, New York.

A. G. Khouri & Co., Inc., New York.

G. Lindner & Co., of New York.

National Paper & Type Co., New York.

Parker Pen Co., of Janesville, Wis.

R. K. O. Export Corporation, New York.

Raleigh Smokeless Fuel Co., Beckley, W. Va.

H. W. St. John & Co., of New York.

United American Bosch Corporation, of Springfield, Mass.

Well Machinery & Supply Co., Inc., of Fort Worth, Tex.

Duplex Printing Press Co., Battle Creek, Mich.

Cameron Can Machinery Co., Chicago, Ill.

American Car & Foundry Co., in order to facilitate exports of freight cars.

American Locomotive Sales Corporation, in order to facilitate the exportation of American locomotives.

The Brazilian Oiticica, Inc., of New York. While it has a Brazilian name, it is a New York corporation.

Centennial Cotton Gin Corporation, of Columbus, Ga.

Baldwin Locomotive Works, Philadelphia.

American Locomotive Sales Corporation, New York.

Whitin Machine Works, of Whitinsville, Mass.

Bessa-Jones, Inc., of New York.

So, I might call attention to a long list of American corporations to which the Export-Import Bank has made loans. The list is too long for me to give it all in 15 minutes. So, there is today, Mr. President, according to the testimony of Mr. Pierson and according to the testimony of Mr. Jesse Jones, a demand for the increase in the capital stock of the Export-Import Bank. Mr. Jones testified that many of these loans were sound, but they were of a sort that a private banker would not be justified in taking the risk and making the loans, and if they had not been made these exports would not have been facilitated.

It may be said that the Government should not take a risk which a private banker is unwilling to take. However, if we should adopt that policy we should curtail and terminate the activities of the Government in making loans to farmers, to home owners, to industry, and to many other activities. If it had not been for the unwillingness or inability of private lending agencies to make these loans the Reconstruction Finance Corporation would not have been necessary at the outset. Neither would the Farm Credit Administration, the Home Owners' Loan Corporation, the Federal Housing Ad-

ministration, the United States Housing Authority, or the Export-Import Bank itself. If it had not been for the fact that private credit was unable to perform the duties necessary in carrying out exports of American products, these other agencies would not have been necessary. If we do not want to sell anything to any foreign country we ought to abolish the Export-Import Bank altogether.

A small loan was made to Haiti, in which little country we have had some relationships in the past; and an American corporation was created to make a loan for the benefit of China, most of which has not even been used.

Mr. WAGNER. All that has been used has been repaid.

Mr. BARKLEY. The Senator from New York reminds me that all that has been used has been repaid. The Export-Import Bank during its existence has made loans to American corporations. It has made loans to the Amtorg Corporation of New York in order to enable it to sell goods to Russia. Whatever may be said about Russia from a political standpoint, she has not defaulted in 20 years on a single obligation to anybody in the United States, and is now current with all her obligations. If it had not been for the loan we could not have exported cotton, farm machinery, and railway equipment to the people of Russia.

Mr. Jones says he needs this additional capital. In a conversation with me yesterday he reiterated the need for additional capital for the Export-Import Bank; Mr. Pierson, the president of the Export-Import Bank, has said the same thing.

These loans have turned out to be sound. The Export-Import Bank has made a profit of nearly \$2,000,000 for the benefit of the United States. I think we can rely upon those in charge of the Export-Import Bank not to abuse the additional capital. The addition of only \$25,000,000 to the \$100,000,000 is an insignificant amount. The fact that \$125,000,000 may have been all Mr. Jones asked for last March is no evidence that that is all he needs in August or September, or for the rest of the year.

I hope the Senator's amendment will be defeated. I do not wish to take any additional time. I think we all understand the operations of the Export-Import Bank. We know its history. We know the kind of loans it has been making. We know the kind it will continue to make; and we know that the more we can sell to the nations of the world of our products which are unsalable at home, the more men can be employed and the more profits can be made for American industry. Certainly the Senate of the United States does not desire to strike down the opportunity for expanding our markets in foreign countries.

Mr. TYDINGS. Mr. President, the Senator from Kentucky is, of course, correct when he says, that in effect these loans are made by the Export-Import Bank to American businessmen, because American businessmen hold the trade acceptances of foreign concerns. They cannot discount them in any of the other banks, so they take them to the Export-Import Bank, through which the Federal Government lends the money. However, in effect, the security upon which the loan is made is the obligation of the foreign concern, and not of an American concern.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. TYDINGS. I yield.

Mr. BARKLEY. I am sure the Senator will agree not only that that statement is true with respect to the Export-Import Bank, but that the same practice is indulged in all over the world with respect to loans made by private lending agencies. They take the acceptances and securities of foreign corporations.

Mr. TYDINGS. The Senator is correct. However, the loan is made, of course, upon the securities of foreign corporations.

Mr. WAGNER. Mr. President, will the Senator yield?

Mr. TYDINGS. I have only 15 minutes. If the Senator will wait until I finish, I shall be glad to yield to him. I do not wish to be discourteous, but I cannot very well yield and have much time left.

Mr. President, some years ago I had a very industrious man working in my office who happened to be a former

secretary for Samuel Gompers, president of the American Federation of Labor. We became interested in the question of foreign loans, and at my request Mr. Oyster wrote to every financial, bonding, and stock house in America, and ascertained from them the foreign obligations which had been floated in this country—obligations of governments or subdivisions of governments, or of corporations. He compiled a very interesting record, which took him about 6 months to put together, and which at that time I put into the CONGRESSIONAL RECORD. I think it is apropos here, although several years have passed since the record was made. The figures are still very interesting.

At that time, about 1930, the total indebtedness in post-war loans owed to the United States or to the people of America who held Government bonds was \$26,371,848,233. Of this amount \$8,212,398,000 had been publicly offered by foreign governments, or subdivisions thereof, and sold in the United States. Three billion ninety-one million nine hundred and ninety-five thousand dollars had been publicly offered by foreign corporations and sold in the United States. These figures are exclusive of the war debts. Foreign governments and foreign corporations together borrowed from our people—not from our Government, but from our people—\$11,304,393,000.

Mr. PEPPER. Mr. President, will the Senator yield?

Mr. TYDINGS. I yield.

Mr. PEPPER. During what period?

Mr. TYDINGS. This was from 1914 to the end of 1927, inclusive. It has nothing to do with the war debts. These were loans floated in the United States by foreign governments or subdivisions of foreign governments, and by foreign corporations, and not bought by our Government but by our people.

Mr. PEPPER. Does the Senator have the figures from the close of the war on down to 1927?

Mr. TYDINGS. I shall put the whole table in the RECORD.

I ask unanimous consent that immediately following my remarks there may be printed in the RECORD a table showing the country, the amount of loans to foreign governments, the amount of loans to foreign corporations, the war debts, and the total indebtedness per capita of the foreign governments to the people of the United States.

The PRESIDENT pro tempore. Without objection, the table may be printed in the RECORD.

(See exhibit A.)

Mr. AUSTIN. Mr. President, will the Senator yield for a question?

Mr. TYDINGS. In a moment.

I wish also to have printed in the RECORD immediately following my remarks a table showing the loans made in the United States in a single year—1927.

The PRESIDENT pro tempore. Without objection, the table may be printed in the RECORD.

(See exhibit B.)

Mr. TYDINGS. Mr. President, in the year 1927 foreign governments or subdivisions thereof or foreign corporations borrowed from our people \$1,939,982,000, nearly \$2,000,000,000 in a single year. Strange to say, that very year the same countries spent \$3,973,484,000 on their national defenses. In other words, we let them have more than 50 percent of what their total war budgets cost that year.

Mr. AUSTIN. Mr. President, will the Senator yield?

Mr. TYDINGS. I yield.

Mr. AUSTIN. Does the Senator's tabulation include loans made in 1916 and 1917?

Mr. TYDINGS. The table to which I have just referred is for the year 1927 alone. The first table included all loans from 1914 to 1927. However, the war loans appear in a separate column. They were not the loans which I was discussing at the time, which were private in their nature.

Mr. AUSTIN. Will the Senator yield for another question?

Mr. TYDINGS. I yield.

Mr. AUSTIN. My question referred to the table first introduced—that is, the nonwar loans—and I should like to ask the Senator another question if he will permit.

Mr. TYDINGS. Certainly.

Mr. AUSTIN. Does the Senator know whether or not the table includes a loan negotiated for the Republic of China for the building of national railways, made in 1916 and 1917 by a bank in the United States, and not by the Government of the United States?

Mr. TYDINGS. There is shown in the table a loan of \$10,752,000 to the Government of China. I do not have the year.

Mr. AUSTIN. Does the Senator know whether or not his list includes other loans negotiated during 1916 and 1917 to the Chinese Republic for the dredging of the Grand Canal through Shantung Province?

Mr. TYDINGS. No; I do not have that figure before me. It may be accurate. I have not the figure.

Mr. AUSTIN. I ask the Senator whether or not it is possible that other loans of similar character negotiated by American banks to foreign nations are not contained in his table.

Mr. TYDINGS. There is no doubt that there may be loans not incorporated in this table, for the simple reason that at that time no Government agency kept account of foreign loans. But what the Senator from Maryland attempted to do in 5 months of research and study and assembling figures was to get all the loans that he could discover and put them all into one category. This table is the result of facts and figures furnished me by the different bond houses of the United States that were engaged in selling foreign securities. From those figures this table was prepared. I do not mean to contend that there may not be and probably were not other loans, but these are the principal private loans and they amount to eleven-billion-three-hundred-and-four-million-and-some-odd-thousand dollars.

Mr. AUSTIN. Mr. President, will the Senator yield for a further question?

Mr. TYDINGS. Yes. But I can only yield once more.

Mr. AUSTIN. I will not take long. Are those loans which were perfected by the sale of the bonds or were they loans which were merely contracted for?

Mr. TYDINGS. These are loans actually made for the sale of foreign securities, bonds, or obligations to the people of the United States.

Mr. AUSTIN. My question related to contracts negotiated and completed for loans.

Mr. TYDINGS. The figures that I have show how many foreign obligations were publicly sold to private citizens of the United States by foreign governments, subdivisions thereof, and foreign corporations.

Mr. PEPPER. Mr. President, will the Senator yield?

Mr. TYDINGS. I yield.

Mr. PEPPER. What was the last year given by the Senator in connection with those loans?

Mr. TYDINGS. The figures go up to 1927.

Mr. PEPPER. What I wanted to ask the Senator was, first, how much of that money was spent in the United States during that period of time?

Mr. TYDINGS. No doubt, some of it was.

Mr. PEPPER. The Senator, no doubt, would say that a large proportion of it was?

Mr. TYDINGS. No; I would not say that.

Mr. PEPPER. What could have been the incentive for the United States to be lending money unless some advantage was to be derived from it?

Mr. TYDINGS. Interest and investment purposes.

Mr. PEPPER. Those loans were made by Republican administrations, were they not?

Mr. TYDINGS. Most of them were; yes. There is no doubt that a large majority of these foreign loans were made under the administrations that were in power from 1920 up to 1929, which was a period when foreign securities were being floated in this country almost every day. Several of us here questioned whether or not they could be repaid under existing international economy.

Mr. PEPPER. And a great many of them were impliedly, if not expressly, almost recommended by the United States Government, were they not?

Mr. TYDINGS. I would not want to say that, but certainly there was very little discouragement of the loans at the time.

We are about to walk slowly into another one of these lending programs. I do not doubt that we can lend money to Brazil, England, or to other countries and get some benefit from the loans, but the record shows that in 1929 and onward most of these foreign bonds held by the people of this country were in default as to interest, and there are bond committees all over the country today that are trying to work out some plan of settlement with foreign governments.

I shall support the amendment of the Senator from Ohio because it reduces the amount, and I shall support it because I believe it is a very dangerous policy for this Government to go further down the road of international loans. If private banks want to make them, that is something else, but for the Government to go into the business of making loans to foreign interests—for that is what it amounts to—in view of our past history is, indeed, very short-sighted.

I am not denying that there will be some benefit; in fact, the prosperity from 1920 to 1929 was largely secured through the medium of lending to our foreign customers the money with which they were buying our goods, for in those years our export trade was nearly \$5,000,000,000 a year—the greatest we have ever had—and we were lending our foreign customers the money to pay for it, as the balance of trade was continually in our favor. But I think we will be very wise, even in this emergency, to go slowly in further committing this Government to a policy of international loans. If private industry wants to engage in that business, if private banking wants to engage in it, that is one thing, but to take the money out of the Treasury of the United States for such purposes, in view of our past relationships as a government and our present situation as a nation is to me unthinkable and most inadvisable. The loan authorization ought to be reduced in accordance with the amendment offered by the Senator from Ohio.

EXHIBIT A

Country	Foreign securities publicly offered in the United States, 1914 to 1927, inclusive			War debt, Nov. 15, 1927	Total indebtedness	Indebtedness per capita
	Government	Corporate	Total			
Argentina.....	\$520,386,000	\$112,723,000	\$633,109,000	.....	\$633,109,000	\$63.00
Armenia.....	.....	.....	.....	\$16,627,154	16,627,154	18.00
Austria.....	71,611,000	16,676,000	88,287,000	34,159,107	122,446,107	1.70
Belgium.....	295,770,000	54,243,000	350,013,000	413,580,000	763,593,000	97.00
Bolivia.....	48,780,000	5,700,000	54,480,000	.....	54,480,000	25.00
Brazil.....	301,634,000	23,500,000	325,134,000	.....	325,134,000	10.00
Bavaria.....	20,000,000	.....	20,000,000	.....	20,000,000	2.70
Bulgaria.....	4,500,000	.....	4,500,000	.....	4,500,000	.90
Chile.....	180,563,000	172,500,000	353,063,000	.....	353,063,000	90.00
China.....	10,752,000	.....	10,752,000	.....	10,752,000	.02½
Colombia.....	100,020,000	43,345,000	143,365,000	.....	143,365,000	21.60
Costa Rica.....	10,820,000	.....	10,820,000	.....	10,820,000	21.00
Cuba.....	79,000,000	465,632,000	544,632,000	.....	544,632,000	130.00
Czechoslovakia.....	53,750,000	5,500,000	59,250,000	179,071,023	238,321,023	17.50
Denmark.....	152,002,000	9,134,000	161,136,000	.....	161,136,000	47.10

EXHIBIT A—Continued

Country	Foreign securities publicly offered in the United States, 1914 to 1927, inclusive			War debt, Nov. 15, 1927	Total indebtedness	Indebtedness per capita
	Government	Corporate	Total			
Dominican Republic	\$25,000,000		\$25,000,000		\$25,000,000	\$28.00
Estonia				\$15,478,642	15,478,642	14.00
Finland	41,000,000		41,000,000	8,814,000	49,814,000	14.00
France	1,050,873,000	\$112,300,000	1,163,173,000	4,025,000,000	5,188,173,000	126.75
Germany	382,050,000	502,616,000	884,666,000		884,666,000	14.20
Australia	97,758,000	3,750,000	101,508,000		101,508,000	16.60
Canada	1,768,249,000	945,964,000	2,714,213,000		2,714,213,000	285.50
Great Britain	1,456,287,000	65,416,000	1,521,703,000	4,505,000,000	6,026,703,000	133.25
Irish Free State	15,000,000		15,000,000		15,000,000	5.00
South Africa		6,160,000	6,160,000		6,160,000	.824
British Empire	3,337,294,000	1,021,290,000	4,358,584,000	4,505,000,000	8,863,584,000	22.63
Greece	16,000,000	600,000	16,600,000	19,500,000	36,100,000	6.00
Guatemala		11,175,000	11,175,000		11,175,000	5.27
Honduras	500,000	11,443,000	11,943,000		11,943,000	16.25
Haiti	16,000,000	9,000,000	25,000,000		25,000,000	12.25
Hungary	36,750,000	24,372,000	61,122,000	1,952,635	63,074,635	8.00
Italy	262,487,000	140,053,000	402,540,000	2,032,000,000	2,434,540,000	61.80
Japan	198,857,000	109,750,000	308,647,000		308,647,000	3.55
Latvia				6,900,564	6,900,564	3.75
Lithuania				6,162,590	6,162,590	3.05
Luxemburg		7,500,000	7,500,000		7,500,000	29.99
Mexico	1,100,000	32,365,000	33,465,000		33,465,000	2.35
Netherlands	101,125,000	88,936,000	190,061,000		190,061,000	19.00
Dutch East Indies	153,290,000	3,175,000	156,465,000		156,465,000	3.18
Nicaragua				299,128	299,128	.47
Norway	172,727,000	24,716,000	197,443,000		197,443,000	70.70
Palestine	350,000		350,000		350,000	.46
Panama	15,250,000		15,250,000		15,250,000	34.50
Paraguay		2,272,000	2,272,000		2,272,000	2.66
Peru	93,250,000	8,000,000	101,250,000		101,250,000	18.40
Poland	122,076,000	20,250,000	142,326,000	198,595,528	340,921,528	11.65
Portugal						
Rumania	3,750,000		3,750,000	66,060,000	69,810,560	4.00
Russia	3,500,000		3,500,000	280,197,302	283,697,302	1.93
Saar	6,500,000	1,000,000	7,500,000		7,500,000	10.00
Salvador	10,520,000	1,900,000	12,420,000		12,420,000	7.70
Spain						
Sweden	74,105,000	45,750,000	119,855,000		119,855,000	39.90
Switzerland	132,000,000	3,000,000	135,000,000		135,000,000	34.45
Turkey						
Uruguay	45,171,000		45,171,000		45,171,000	27.10
Venezuela		51,539,000	51,539,000		51,539,000	17.18
Yugoslavia	61,285,000		61,285,000	62,450,000	123,735,000	1.03
Total	8,212,398,000	3,091,995,000	11,304,393,000	11,871,848,233	¹ 23,176,241,233 3,195,607,000	
Official figures, not including foreign issues privately taken						
Unofficial figures, including foreign issues privately taken			14,500,000,000		² 26,371,848,233	
Total			3,195,607,000			

¹ Official sources.² Unofficial sources.

EXHIBIT B

Nation	Defense expenditures, 1927	Foreign securities publicly offered in the United States, 1927	
		Amount	Percent of defense expenditures
Argentina	\$44,771,000	\$99,561,000	222
Austria	11,220,000	33,887,000	302
Belgium	22,729,000	14,130,000	62
Bolivia	3,411,000	12,585,000	369
Brazil	53,386,000	56,780,000	106
Ecuador	1,933,000		
Bulgaria	8,404,000		
Chile	13,705,000	22,883,000	167
China	297,703,000	10,752,000	3
Colombia	7,125,000	68,670,000	964
Costa Rica	655,000	1,800,000	280
Cuba	11,515,000	61,750,000	537
Czechoslovakia	56,973,000	1,500,000	3
Denmark	15,738,000	28,046,000	178
Dominican Republic	1,473,000	5,000,000	341
Estonia	4,994,000		
Finland	14,467,000		
France	269,463,000	50,000,000	18
Germany	127,581,000	222,692,000	175
British Empire:			
(a) Australia	177,752,000	101,508,000	57
(b) Canada	13,086,000	319,765,000	2,444
(c) Great Britain	567,427,000	5,747,000	1
(d) India	215,999,000		
(e) Irish Free State	11,669,000		
(f) New Zealand	4,656,000		
(g) South Africa	4,490,000		
	995,079,000		
Greece	25,646,000	2,000,000	7
Guatemala	1,358,000	3,150,000	232
Honduras	928,000		
Haiti	1,299,000		

EXHIBIT B—Continued

Nation	Defense expenditures, 1927	Foreign securities publicly offered in the United States, 1927	
		Amount	Percent of defense expenditures
Hungary	\$19,835,000	\$26,122,000	132
Italy	218,816,000	120,400,000	55
Japan	208,245,000	308,647,000	150
Latvia	8,927,000		
Lithuania	3,989,000		
Luxemburg	195,000		
Mexico	38,476,000		
Netherlands	23,651,000	20,716,000	87
Dutch East Indies	44,595,000	156,465,000	351
Nicaragua	219,000		
Norway	11,129,000	29,466,000	265
Palestine	1,625,000		
Panama		1,500,000	
Paraguay	1,068,000		
Peru	7,222,000	60,000,000	831
Poland	74,857,000	47,000,000	63
Portugal	25,916,000		
Rumania	44,199,000		
Russia	347,580,000		
Saar			
Salvador	1,656,000	3,150,000	190
Spain	85,194,000		
Sweden	37,017,000		
Switzerland	16,374,000		
Turkey	29,910,000		
Uruguay	7,134,000		
Venezuela	3,043,000	10,275,000	337
Yugoslavia	41,346,000	34,035,000	85
United States	679,709,000		
Total	3,973,484,000	1,939,982,000	
United States		679,709,000	
Grand total		2,619,691,000	

Mr. VANDENBERG. Mr. President, I should like to ask the able Senator from Kentucky a question in my time. He presented an estimate indicating that the Export-Import Bank had made a profit of some \$2,000,000. Will he indicate to me the period covered by that operation?

Mr. BARKLEY. I will have to consult the hearings; I cannot give the date from memory. I will do so later and will inform the Senator.

Mr. VANDENBERG. I think the question is rather important, because I strongly suspect that the profit to which the Senator refers was made during the time when the Export-Import Bank was confining itself almost exclusively to loans to exporters and importers and not loans to governments.

Mr. BARKLEY. I will state to the Senator in that connection that there has been no loss up to this time on any loan of the Export-Import Bank to any foreign government, but the number of such loans is so infinitesimal that it can hardly be considered in this whole picture. There was a loan made to Haiti, all of which was to be spent in this country; there was a loan to an American corporation for the benefit of China, which has been repaid; there was a loan to a concern with respect to some exportations into Brazil to enable Brazil to help carry on some internal improvements involving American trade; but the comparative amount and number of loans of that character is so insignificant that it is unfair to pick them out and try to make a "sore thumb" out of them.

Mr. VANDENBERG. The Senator is simply emphasizing the precise point I want to submit. The loans to governments heretofore have been infinitesimal. Therefore the losses have been infinitesimal. That is the precise point I am making, but from now on the purpose is different.

Mr. BARKLEY. Mr. President, will the Senator yield there?

Mr. VANDENBERG. Yes.

Mr. BARKLEY. There is nothing in the hearings, nothing in the program that indicates that it will be carried on in any different way from that which has characterized it heretofore. The mere fact that the President in his letter to Senator BYRNES suggested direct loans to foreign governments has no relationship whatever to this proposal.

Mr. VANDENBERG. That is what I want to talk about, Mr. President, because I think it definitely and specifically has a relationship. If there is anybody in Washington who has a right to know definitely how much money the Export-Import Bank can use safely and expeditiously in connection with the promotion of foreign trade it is Jesse Jones.

Mr. Jones not only testified earlier in the year that a \$125,000,000 maximum was all that he could possibly use but he was content to accept the \$100,000,000 at that time for the purpose of making the kind of loans which were then contemplated by the Export-Import Bank.

The Senator from Kentucky has referred to his personal conversations with Mr. Jones. I do not know whether or not I am at liberty to refer to my personal conversations with him, but I had considerable to do in the initial conversation with Mr. Jones in fixing the limit at \$100,000,000, and I know that at that time it was believed to be the completely adequate maximum for the direct promotion of American exports. Now the situation seems to have suddenly changed.

Mr. BARKLEY. Will the Senator yield for a moment further?

Mr. VANDENBERG. Yes.

Mr. BARKLEY. The net profit for the fiscal year 1939 of the Export-Import Bank was \$1,744,630.

Mr. VANDENBERG. I thank the Senator. That was while we were still dealing substantially with loans to exporters and importers, that is when the Senator from Kentucky says loans to foreign governments were an infinitesimal part of the operation, and because they were an infinitesimal part of the operation, the Export-Import Bank operated at a profit; but when such loans cease to be an infinitesimal part then the Export-Import Bank is not only not going to operate at a profit but at a distinct and specific loss, as we know from all American experience on all external

loans of this nature. The Senator from Kentucky said that at the time Mr. Jones made his estimate of \$100,000,000 last February or March there was no special effort being made to promote American export trade.

Mr. President, ever since it started, this administration has been making a special effort to encourage export trade. Of course, there was a special emphasis at that time, as much as there is now, and there is just one thing that has happened to change the prospectus of the Export-Import Bank, and that one thing was disclosed by the President's letter to the Senator from South Carolina [Mr. BYRNES] when he said he wanted \$500,000,000. For what purpose? For the extension of short-and-long-term loans to foreign governments.

Since the letter was written, and without waiting for any increased authorization from the Congress, the Export-Import Bank has gradually begun to make foreign loans to instrumentalities of foreign governments, precisely in line with the theory and purpose of the President's letter. Therefore, I submit that we are driven to the inevitable conclusion that the purpose of the increase is to deal with the instrumentalities of foreign governments, and that is the reason the money is required, rather than for the direct promotion of foreign trade. On that basis we are not entitled to proceed with one single, additional dollar of United States commitments. We know what the experience has been. The Senator from Ohio has presented it in unanswerable form.

If we are to continue to encourage export trade, which is a totally different thing, it can be done with the \$125,000,000 provided by the amendment offered by the Senator from Ohio. The encouragement of export trade can be accomplished with maximum advantage and maximum utility upon the basis of the testimony of Mr. Jesse Jones himself. For that reason I submit that the amendment of the Senator from Ohio should be adopted.

Mr. DANAHER. Mr. President, in connection with the observations of the Senator from Michigan, I should like to read into the RECORD a few questions and answers involving this very point. Senator TOWNSEND asked Mr. Jones:

How much money have you now in the R. F. C. that you could loan?

Mr. JONES. For all purposes?

Senator TOWNSEND. Yes.

Mr. JONES. About \$1,400,000,000.

Mr. WAGNER. Will the Senator state the page from which he is reading?

Mr. DANAHER. Page 219. Mr. President, at the top of page 220 the Senator from Delaware [Mr. TOWNSEND] asked this question:

In your judgment, you have sufficient money to take care of any applications that you have?

Mr. JONES. Correct.

Now, skipping a few questions. I find this:

Senator TAFT. Secretary Morgenthau said he expected they would spend \$770,000,000 in the next few months, and you have \$1,250,000,000 available.

Senator BARKLEY. How close have you ever come to having your loans absorb your entire capital?

Mr. JONES. Not very close.

Senator BARKLEY. Is the present condition an average condition, or above or below?

Mr. JONES. I do not think we have ever been without at least a billion dollars of available credit.

Senator BYRNES. Why haven't you?

Mr. JONES. Because you have given us a pretty liberal allowance.

Senator BYRNES. Is it necessary or not?

Senator TOWNSEND. You took care of all the applications that you thought were good, didn't you?

Mr. JONES. Oh, yes.

Now, Mr. President, referring again to a statement by Mr. Jones, which is found at the top of page 221:

Mr. JONES. I think we could carry a substantial amount of the requirements under this bill, under the present borrowing authority of the R. F. C.

Mr. JONES. I expect we could carry \$770,000,000 in the next 12 months—certainly until you come back.

Mr. JONES. Yes; and you propose to give us \$2,570,000,000 more in this bill. We can do some of this work under our present

borrowing power, if the Congress should decide that they would authorize the projects but not authorize this much of increased borrowing power.

Mr. President, every question and every answer developed clearly that this program could fit within the already existing powers of the Reconstruction Finance Corporation. With reference to the Commodity Credit Corporation, at this minute it has the power to handle all the cotton loans to which the Senator has referred.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. BARKLEY. I understand there is no increase in the borrowing power or authority of the Reconstruction Finance Corporation by reason of the increase in the stock of the Export-Import Bank from \$100,000,000 to \$200,000,000. That is simply absorbed out of the authority they already have; so that there is no increase whatever in this bill of the borrowing authority of the Reconstruction Finance Corporation due to the Export-Import Bank. There was a reduction by that amount, \$100,000,000, in the borrowing power, for general purposes, of the R. F. C.

Mr. DANAHER. However, Mr. President, there are at present over 46 millions of dollars of Export-Import Bank funds uncommitted, and if the amendment offered by the Senator from Ohio shall be adopted and we add \$25,000,000 to that amount, we will have nearly doubled the available resources of the Export-Import Bank.

Mr. BARKLEY. Will the Senator yield there?

Mr. DANAHER. I yield.

Mr. BARKLEY. We increased the capital to \$100,000,000 only last March, and since that time they have been able to make commitments of practically \$95,000,000, about \$50,000,000 of which has been repaid; so that within the very short period of 3 or 4 months the Reconstruction Finance Corporation or the Export-Import Bank absorbed practically the entire capital stock by making commitments.

Mr. VANDENBERG. Mr. President, will the Senator yield at that point?

Mr. DANAHER. I yield to the Senator from Michigan.

Mr. VANDENBERG. It made the increase chiefly by making commitments to foreign governments and instrumentalities of foreign governments.

Mr. WAGNER. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. WAGNER. I wish to refer to the testimony of Mr. Jones, at page 260 of the hearings, in answer to the statement made by the Senator that some \$46,000,000 are now available and have not been committed.

The Senator from Alabama [Mr. BANKHEAD] asked:

Then you have only forty-six millions of available resources? This is committed.

Mr. JONES. We have nothing that is not committed.

So, Mr. President, all of the money now available for lending purposes, under the control of the Export-Import Bank, is committed. Therefore, unless additional funds are provided, the Export-Import Bank will have absolutely no money with which to continue loaning, until some of the loans which have been made are repaid.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. TAFT. As I explained, of the total outstanding loans of \$53,000,000, twenty millions are not of foreign loans at all. The R. F. C. can take them over tomorrow. That makes \$33,000,000 of foreign loans really outstanding. The commitments are commitments to foreign governments in nearly every case.

Mr. WAGNER. The Senator does not mean to say that the commitments are foreign commitments in nearly every case?

Mr. TAFT. The large amounts are for foreign governments. Nineteen million dollars has been loaned to Brazil, in cash, since March. The commitments to Nicaragua and commitments to Brazil and, in fact, practically all of the large items, except the International Telephone & Telegraph loan, are commitments or loans to foreign governments.

Mr. WAGNER. Mr. President, will the Senator yield at that point, so that the statement may be accurate in the RECORD?

Mr. DANAHER. I yield.

Mr. WAGNER. Strictly speaking, the loan to Brazil was not made to the Brazilian Government. It was made to a bank, 50 percent of which is owned by the Brazilian Government and 50 percent of which is privately owned, and the entire loan was made to pay for products purchased in this country.

Mr. DANAHER. Mr. President, has the Senator concluded?

Mr. WAGNER. Yes.

Mr. DANAHER. Of course, drawing that neat distinction between loans to foreign governments and loans to agencies either partially or wholly owned by foreign governments is the basis upon which it is said there is no loan to a foreign government, as in the case of Mexico. In that instance Mr. Jones testified that the loan was for the purpose of purchase of locomotives for the Mexican National Railways. Of course, that was not a loan to Mexico in the sense used by the Senator from New York; it was a loan made to an organization in Mexico.

Mr. WAGNER. Mr. President, will the Senator yield?

Mr. DANAHER. Certainly.

Mr. WAGNER. The loan was for commodities purchased from American citizens, and every dollar of that loan has been paid.

Mr. DANAHER. I question the accuracy of that last statement. I think the Senator means it is not in default.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. BARKLEY. Referring to the \$25,000,000 credit given by the Export-Import Bank to cover products exported to China, that money was loaned to the Universal Trading Corporation, of New York.

Mr. DANAHER. Yes.

Mr. BARKLEY. It was not all taken. My recollection may be faulty, but I think about \$17,000,000 was taken. The loaning of that money to the Universal Trading Corporation for the exportation of goods to China benefited a total of 30 or 40 corporations, the names of which are set out in the report of the Export-Import Bank. Without that loan, those corporations could not have been able to make the exports. Among this list of 30 or 40 corporations we find the names of the Chrysler Corporation, General Motors Corporation, United States Rubber Export Co., Goodyear Tire & Rubber Export Co., Paul E. Sammann & Co., International General Electric Co., Dodge & Seymour, Ltd., General Motors Overseas Operations, Iron City Tool Works. Two pages are filled with the names of the corporations which were enabled to do business and to sell materials to China because the Universal Trading Corporation was able to borrow money, all of which has now been repaid. It is not fair to hold that out as an example of bad business.

Mr. DANAHER. Mr. President, I must observe to the Senator from Kentucky that I made no reference whatever to the loan to the Universal Trading Corporation, nor did I make any reference to China. My point was simply to bring out, as Mr. Jones himself did, the available capital and the basis upon which that capital could be used.

I now yield to the Senator from Ohio.

Mr. TAFT. With regard to the statement that the loan has been paid back, the total shows there is now outstanding \$8,680,000, and that there is committed but not yet advanced \$15,840,000. So, far from being paid back, it has not even been loaned.

Mr. BARKLEY. The payments are current, and are being kept up as they fall due.

Mr. TAFT. Of course, I have no doubt; and to the extent that they finance export credits, I see no objection. That is part of the purposes of the Export-Import Bank. However, the general term was a 5-year loan, and that makes it a foreign-government loan.

Mr. WAGNER. I wish to make a correction with reference to the statement regarding the loan to the railway company, which I understand is controlled by the Mexican Government. With reference to the repayment of that loan, I understand that there were two loans made. One was for the sale of locomotives by the American Locomotive Sales Corporation, amounting to \$602,000. That has been completely repaid. The other loan, made to the Mexican Railway Co., was for the purchase of equipment from the American Car & Foundry Co. Of that loan, which was in the amount of \$225,000, \$69,000 has been repaid and \$156,000 is due, but the payments are current. In other words, it is repaid so far as the loan is due.

Mr. DANAHER. Mr. President, that coincides with what I stated in that particular. I thank the Senator from New York.

I may say, in conclusion, that the entire program just goes to illustrate the absurdity of the whole set-up, when we now are faced with the proposal to pay an export bounty of a cent and a half a pound on cotton. Curiously enough, we are going to finance the exportation of that cotton by loans from the Export-Import Bank, and we are going to pay somebody to take cotton to Japan, which is the chief user of American cotton at this time, for use in a war over there. What an anomaly!

Mr. BANKHEAD. Mr. President, I did not hear all of the remarks of the Senator from Connecticut, but I judge from what I did hear him say that he contends that the Export-Import Bank has been making liberal use of its credit for exporting cotton. The fact is that since the organization of the Export-Import Bank they have aided in the export of cotton only to the extent of 106,000 bales.

Mr. DANAHER. Mr. President, will the Senator yield?

Mr. BANKHEAD. I yield.

Mr. DANAHER. Is the Senator quite certain of that?

Mr. BANKHEAD. We had before the Committee on Banking and Currency at least a detailed statement of the disbursements of the Export-Import Bank, and I had the figures compiled. I did not do it myself. The figures presented to me show that the amount used for aiding in the export of cotton was only 7 percent of the total amount disbursed by the Export-Import Bank.

Mr. DANAHER. I certainly thank the Senator from Alabama, and I hope that the Senator from Kentucky has heard every word he said.

Mr. BORAH. Mr. President, as to the business wisdom of lending money for the carrying on of export-import trade, I do not propose to speak. It may be wise and it may not be. Later perhaps we will come to a conclusion on it when we have had more experience. I have always had grave doubts about the ultimate success of the plan.

I wish to say a word about loans to governments. It will be recalled that when the message came in from the President it was proposed that a \$500,000,000 authorization be made for the purpose of lending money to foreign governments. At that time some debate took place in regard to the matter on the floor of the Senate, and objection was raised to the proposal. I specifically and earnestly objected to loans to governments.

I do not think it is at all improper for me to make the statement I am about to make. While it refers to a private discussion, in a sense, it was a discussion by an officer having charge of this matter, not in any sense regarded as private so far as the conversation was concerned. He was giving me information with regard to the business which he was conducting and upon which I was seeking information to enable me to vote intelligently. I do not think Mr. Jones regarded it as private.

Mr. Jesse Jones came to the office and stated his position with reference to lending money to foreign governments, and in the conversation he made it clear to me that he was as much opposed to lending money to foreign governments as I was, and that if the matter were under his control he would confine it entirely to the lending of money as they had been lending it, for export and import business.

Upon that basis we discussed the question of reducing the \$500,000,000 proposed to \$100,000,000, and as to whether or not that would be satisfactory to those of us who had raised a serious question as to the \$500,000,000 and as Government loans. The question was raised as to whether under \$100,000,000 additional appropriation it would be practical to make loans to foreign governments, if the amount would be sufficient to enable this Government to make such loans. He was of the opinion that the appropriation could only be successfully utilized along the lines on which the loans had been made heretofore. He made it definitely clear that in his opinion no money should be loaned to governments or for governmental purposes, but for trade purposes only.

Mr. President, I am very much opposed to lending money to foreign governments, but I am quite clear that if it is left under the control of Mr. Jones to direct, the loans will not be made to foreign governments. If I thought that were not true, I certainly would feel that there had been a misunderstanding upon my part in regard to the matter.

When we come to lending money to governments, other questions enter about which Congress ought at all times to take particular notice at the time a loan is made. If a loan is to be made to a foreign government, there are many things which enter into the question which ought to be considered, aside from the mere question of putting out so much money. There may be involvements. If I am not very badly misled, within a very short time some facts will be presented to us which will show how unwise it is to lend money to foreign governments without a full knowledge on the part of the Congress and without full authority and an understanding of the terms upon which the loan is to be made.

I therefore rise to say that the policy of lending money to foreign governments, except through specific action, and that action made known to the Congress and the Congress permitted to act upon it, in my judgment is a dangerous policy. In fact, stating a general principle, we ought not to loan to governments at all.

It is claimed by some—and they may be better informed than I—that this money will be loaned to foreign governments, or that some of it will be so loaned. I myself do not find in the record evidence of that fact. But if there is such evidence, I should like to have it pointed out, because it will control my vote.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. BORAH. I yield.

Mr. TAFT. The last loans that have been made, on June 9, 1939, were to the Banco de la Republica, Oriental de Uruguay. That is a bank the entire stock of which is owned by the Uruguayan Government. That, of course, is not technically a loan to a foreign government, but in effect it is, because the bank is merely an agency of the foreign government. The loan before that was on January 12, 1939, of \$5,000,000 to the Portuguese railways. I understand that the Portuguese railways are 100 percent owned by the Portuguese Government. Since Mr. Jones was here in February \$19,200,000 have been loaned to the Bank of Brazil, which is 50 percent owned by the Brazilian Government. Therefore, unless Mr. Jones is making a distinction between agencies of foreign governments and foreign governments, I cannot understand what he is saying, because half of the outstanding loans of the Export-Import Bank today are loans of the character to which I have referred.

Mr. BORAH. Mr. President, I did not have before me the details of the loans to which the Senator refers, nor did Mr. Jones refer to the details of the loans.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BORAH. In a moment. I am permitted to say that my understanding was that loans to a government, as a government, for the purpose of performing governmental duties, in the discharge of governmental obligations, are distinctly contrary to Mr. Jones' theory of lending this money.

Mr. TAFT. It is entirely true that these loans are all made for the purchase of American materials, so far as I know, with a single exception, that exception being 25 percent of

the loan to Haiti. I think the loan is made to a corporation, which takes the notes of the Haitian Government, and the Export-Import Bank have acquired those notes without recourse. So in that case about 25 percent is being spent—not for the purchase of American goods. In general, it is correct that all this money is being spent for exports from this country.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BORAH. I yield.

Mr. BARKLEY. I was going to say that even the loan with reference to the Portuguese Railways was for the purpose of enabling them to purchase certain railway equipment in the United States.

Let us take our dealings with Russia. Of course, it may be that there are some Americans who think we should not sell anything to Russia or have any dealings with Russia, but still we do have such dealings. They have a corporation, the Amtorg Co., which is a trading corporation in this country, through which we have been able to sell. That corporation is controlled by the Russian Government, I think. Its policy certainly is. We have sold vast amounts of machinery, we have sold cotton, we have sold many things, and through that corporation we have been able to export them. There has not been a single instance in 20 years when they have defaulted on any payment.

Mr. BORAH. The Russian Government is about the only European Government which seems to be paying its debts.

Mr. BARKLEY. There are one or two little exceptions, like Finland.

Mr. BORAH. Yes; Finland.

Mr. BARKLEY. It is the outstanding European Government that has kept up its record of paying its debts. Such a loan might be said to be an indirect loan to the Russian Government. It is not. It is the type of loan which over 20 years has turned out to be sound. If we are to be denied the opportunity of making that kind of loan, of course we are going to cripple our trade.

Mr. CONNALLY. Mr. President, will the Senator from Idaho yield?

Mr. BORAH. I yield.

Mr. CONNALLY. I had a question in mind which has been already somewhat developed. Is it not true that the primary purpose of the whole organization of the Export-Import Bank is to facilitate exports and imports? The fact that, incidental to that, a foreign government might have an interest in some institution, is beside the point, because we are not making a governmental loan at all in the strict sense of that term. We are making a loan to aid exports or to facilitate imports, and the fact that the Government, in the case of these corporations mentioned by the Senator from Ohio [Mr. TAFT], had an incidental financial interest, does not bring the loans within the category of the loans to which the Senator from Idaho is objecting.

Mr. BORAH. Mr. President, I have no doubt that Mr. Jones had in mind that kind of a loan. I do not think Mr. Jones would have stated to me that he was loaning for governmental purposes, on behalf of the Government, if he had not so understood it. Whether it is to be confined to that course of conduct is a very important question. But I was specific and asked him the question whether \$100,000,000 would permit the carrying on of the course of conduct which had been carried on, or would it also permit the loaning to governments, because I was desirous only of limiting the loans to loans to governments. That was as far as I cared to go at that time, whatever might be my judgment in the future as to loaning for business purposes.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. BORAH. I yield.

Mr. TAFT. One thing that shows the character of these Government loans was that the Finance Minister of Brazil came here and made a Brazilian Government loan. It was the dictator of Nicaragua who came here and made a Nicaraguan Government loan. It was the head of the Paraguayan Government who came here and made a loan for the Paraguayan Government. Now, the theory that these are not

Government loans is contrary to the real facts of the case. The truth of the situation is that these governments have come in here and asked for money; and every dictator in South America is planning to come here to the United States to pick up the millions that are lying around loose in Washington.

Mr. BORAH. There is no doubt about that. They are all waiting for loans, if we are to lend money to governments and for governmental purposes. The Senator is entirely correct about that. It is an unsound policy, an unwise policy, and we ought not to pursue it. But when they struck out the \$400,000,000 it was my opinion that they had limited it to such figures as to necessitate the bank to confine itself to loans which were not Government loans. That, together with the language of the bill and the views of the administrator, seems to me to protect the thing I have in mind.

Mr. WAGNER. Mr. President, I do not want unduly to delay a vote on this question. There are just one or two matters which were developed before the committee to which I should like to refer. The Export-Import Bank was not created to make loans to foreign governments for governmental purpose. The purpose of the Export-Import Bank was to help our citizens and our manufacturers and our domestic producers to export their commodities, to facilitate the sale of their commodities in other countries, and to aid them in financing those transactions. So far as the transactions of the Export-Import Bank are concerned up to date that purpose has been carefully adhered to, because except the 25 percent referred to by the Senator from Ohio in regard to the Haitian loan, every loan represents a sale of our products to nationals of a foreign country. I think, in this connection, it should be pointed out that we are only doing in an extremely modest way what other countries are doing on a very much larger scale.

Mr. President, I ask for the special attention of the senior Senator from Oklahoma [Mr. THOMAS]. The other day he proposed to offer an amendment, and in connection therewith he introduced an article appearing in the New York Times in which it was stated that England had proposed to aid its producers and manufacturers to the extent, I think, of—

Mr. THOMAS of Oklahoma. Six hundred and nine million dollars.

Mr. WAGNER. Six hundred and nine million dollars—to aid English producers and manufacturers in financing their exports to other countries.

I read the other day that England had given a loan to Poland which Poland was going to use to stimulate its exports, that is, to help finance its exporters' sales in other countries. Of course, the loans of the Export-Import Bank are made for sales primarily to the South American countries, and there is quite a contest going on to win the markets of South America. England, Germany, and other European nations have adopted the barter policy.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. WAGNER. I yield.

Mr. CONNALLY. In connection with the Senator's statement that it is intended primarily for South America, I may suggest that the cotton-producing States are interested in the Export-Import Bank increase of capital inasmuch as exporters of cotton expect to do considerable exporting business, and they need these credits to carry on the export business. For instance, the foreign cotton buyer can secure temporary credit and not be obliged to pay cash for the cotton, but so soon as he sells it he meets his bill. So the cotton trade is greatly interested in the proposed increase in the capital of the Export-Import Bank. The sales to which I have referred relate more particularly to Europe than to South America.

Mr. WAGNER. Yes; that is true. I did not intend to imply that loans are made only for exports to South America, but many of the loans have been made with respect to sales to countries to the south of us.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. WAGNER. I yield.

Mr. BARKLEY. To corroborate what the Senator from Texas has stated—

Mr. CONNALLY. I thank the Senator from Kentucky.

Mr. BARKLEY. I am always glad to corroborate what the Senator says and I am even more glad to have him corroborate what I say. My attention has been called to the fact that negotiations have been undertaken looking to the possibility of the sale of 1,000,000 bales of cotton in Europe that would have to be financed through the Export-Import Bank. Certainly to take off the market of the United States a million bales of cotton would be a great boon to the cotton producers of the United States.

Mr. TAFT. I mentioned that in my main talk. The United States Government has a considerable amount invested in cotton, and the Commodity Credit Corporation has entire authority to sell that cotton abroad and take the goods of foreigners in payment for the cotton. I do not think the Government needs the Export-Import Bank for that purpose in any respect whatever.

Mr. CONNALLY. While I am sure the Senator from Ohio is an outstanding authority on cotton, the cotton exporters do not agree with him.

Mr. BARKLEY and Mr. TAFT rose.

The PRESIDING OFFICER. Does the Senator yield, and, if so, to whom?

Mr. WAGNER. While Senators have not been willing to yield to me, I shall yield; first to the Senator from Kentucky.

Mr. BARKLEY. In that connection, let me say that the Commodity Credit Corporation can sell cotton that it is now holding, on which the Government has a lien, only with the consent of the owner, and it cannot sell it for less than the loan, with the interest and storage upon it, whereas there might be a great deal of free cotton in this country which may be sold through the Export-Import Bank.

Mr. CONNALLY. Of course. The new cotton crop is moving in my State. The exporters have personally taken the matter up with me and urged the increase in the capital of the Export-Import Bank in order to facilitate their exports of cotton, of the new free crop. It is to the interest of those who raise cotton to keep the new cotton out of the loan and sell it if they can.

Mr. BORAH. Mr. President, will the Senator yield?

Mr. WAGNER. I yield.

Mr. BORAH. I should like to ask the Senator from New York and the Senator from Kentucky a question in connection with this matter. Was it not understood at the time the \$500,000,000 was changed to \$100,000,000 that there were to be no loans to governments for governmental purposes?

Mr. WAGNER. Exactly, and I am one of those who was opposed to the \$500,000,000 extension of authorization to the Export-Import Bank. There have not been any loans made to foreign governments for governmental purposes. The discussion has proceeded on a theory which I think has confused the issue. One would think that the Export-Import Bank was created simply as a bank to finance foreign governments in their governmental transactions. Nothing of the kind was contemplated. It is a very modest contribution toward aiding our manufacturers and producers to sell their commodities abroad, and that is all.

Mr. BORAH. I think we got over the line in China pretty badly. But the question is whether or not under this new bill it was to be understood that there were to be no loans to governments henceforth for governmental purposes, to be used by governments for governmental purposes.

Mr. WAGNER. That is certainly the purpose of those who are advocating this proposed legislation, if I may say so.

Mr. LUCAS. Mr. President, will the Senator yield for a question?

Mr. WAGNER. I yield.

Mr. LUCAS. Is it not a fact that Jesse Jones in testifying before the Committee on Banking and Currency upon that very question stated that, in the event a loan to a foreign government was contemplated, he thought it would be necessary to bring the question before the Congress and obtain the consent of Congress before the loan was consummated?

Mr. WAGNER. Yes; certainly. He asserted, as I recall, that he had no authority to make any such loan, and, of course, he would not do so in any event without a previous authorization from the Congress of the United States. The Senator is absolutely correct about that.

I asked Mr. Jones when he was before our committee whether any of the sales which were financed in part by the Export-Import Bank could have been made in other countries without such aid and he said emphatically "No." Because of the chaotic condition in other countries the banks themselves are not prepared to take the risk alone, although they do share in some of these risks.

Mr. BARKLEY. I wanted to suggest to the Senator from New York, in his time, as I have no time of my own, and to the Senator from Idaho, that in order to clear up this matter so there may be no misunderstanding with respect to the object of these loans, I am prepared to offer an amendment of this nature.

Provided, That no loan shall be made hereunder for any purpose other than increasing exports from the United States.

Mr. CONNALLY. The Senator should not leave out imports.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. WAGNER. I yield.

Mr. TAFT. It does not seem to me that the amendment would change the situation.

Mr. WAGNER. Will the Senator discuss that amendment a little later on?

Mr. BARKLEY. Mr. President, it would be impossible to write anything that would satisfy the Senator from Ohio.

Mr. WAGNER. There has been much discussion about loans to foreign governments. Strictly speaking, loans have not been made to foreign governments, for the Export-Import Bank and the applicant, the exporter, conduct the transactions through the existing bank in the foreign country. If sales are to be made, the financial transactions must be handled through the foreign bank. In both the instances of Poland and Brazil, only 50 percent of the stock of the bank in either of those countries is controlled by the government. The other 50 percent is controlled by private investors.

So, strictly speaking, even in those instances about which so much has been said today, the loans are not made to the foreign government. The government may have a 50-percent interest in the bank, and may pledge its credit to that extent for the repayment of the loan, but it enters the picture only because the bank offers the only financial institution available for carrying out the financial transactions connected with the sales. I wish to emphasize that in the case of every loan made payments are absolutely current. The Senator from Kentucky read from the Record that up to date a profit has been made. No loan has been made with respect to which the Export-Import Bank directors have any doubt as to repayment. Every loan made has either been repaid or is current.

A few minutes ago when I asked the Senator from Maryland [Mr. TYDINGS] to yield to me he declined to yield, but later weakened. The Senator said that in every instance the Export-Import Bank pledged its credit for the entire loan. As a matter of fact, there are any number of cases in which, when the firm is strong enough financially to do so, it participates in the loan. In other words, if the sale is for \$1,000,000 worth of products to a particular customer, the concern itself will carry 50 percent of the credit and the bank will carry the other 50 percent. In about 50 percent of the loans made by the Export-Import Bank the loans are made with recourse to the exporter. So the bank has recourse both to the purchaser in the foreign country and to the applicant or the exporter in this country.

Mr. TYDINGS. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. LA FOLLETTE in the chair). Does the Senator from New York yield to the Senator from Maryland?

Mr. WAGNER. I yield.

Mr. TYDINGS. I was dealing with only that part of the loan which the Export-Import Bank handled, whether it was 10 percent, 50 percent, or 100 percent. To that extent, if the endorsers do not make the paper good, the bank's assets are liable for the repayment of the loan.

Mr. WAGNER. In many instances the loans are held with recourse to the applicant for the loan.

Mr. TYDINGS. I say, if the endorser does not make the loan good, if he does not repay the bank for the money advanced, and the bank cannot collect it, the bank stands a loss.

Mr. WAGNER. The Senator means if there is also a default by the purchaser in the foreign country.

Mr. TYDINGS. Yes.

Mr. WAGNER. Of course; but there is recourse to both. Experience has shown that there has been no loss, and that all payments are current.

The PRESIDING OFFICER. The time of the Senator from New York on the amendment has expired.

The question is on agreeing to the amendment offered by the Senator from Ohio [Mr. TAFT].

Mr. JOHNSON of California. Mr. President, when I was a young man I occasionally visited certain individuals in the country of whom I was very fond. At certain times of the day the cook would come out from the cook house and beat a great gong, the sound of which would carry far, and yell at the top of his voice, "Come and get it!"

We have done just that thing in the matter of South American loans in the present instance. We have said to South America "Come and get it"; and every broken-down dictator in that territory is on the way to Washington in the hope that he may fill his coffers with good American dollars. Oh, it may be pretended that we do not lend the money to him. However, in one way or another he gets it; and when he gets it he keeps it; and we have seen the last of that sum of money. We have instances before us of loans which have been made to various countries to the south of us, and they are all of that kind. I will not except a single one of them. Brazil hopes to have more battleships built in our yards. It will be said that thereby employment would be given to many persons; but we would pay the bill. Ultimately all the people would be taxed for all these loans, because none of them would be repaid, and nobody expects that they would be repaid.

I have before me a report of the Commission which exists today for the purpose of dealing with South American loans. That report shows loans of approximately one and three-quarter billion dollars due to our people. Our people paid the sums that were necessary in the days when those loans were made. They paid them out of their hard-earned cash. Today we are initiating the same thing in a round-about fashion.

Mr. President, I am not indicting Jesse Jones in the slightest degree, and I yield to no man in my regard for him. I recognize that if it were possible he would so administer the law as to comply with the technical letter as well as with the spirit of the law, and he would not make loans to foreign governments. However, the fact is that the loans which have thus far been made are loans to governments; a loan was made to a bank in Brazil, half of which is owned by the Government itself; all of that which was loaned in Nicaragua was loaned to the Government of Nicaragua, because that Government consists of one man alone. All that was loaned to Paraguay or Uruguay—I have forgotten which—was given to the one who is in charge of everything there.

I believe a loan is contemplated to Bolivia, where a distinguished gentleman named German Busch is at present administering every law upon the statute books of that country. He, in accordance with the time-honored custom of the governments of that particular region, declared in one fell swoop that no parliament should exist in the future. Then, not to be outdone, he decreed that there should be no political parties in the state. Then, to be on an equality, as he thought, with those who govern abroad, he said that he would permit no question of human rights to be determined otherwise than by himself.

Doubtless that government will be on its knees asking us for some particular loan, and perhaps will be accorded it. But whether accorded it or not, this method of lending the money of the people of the United States helter-skelter and pell-mell is one against which I protest, and protest as strongly as a man can protest.

Just think of it. Today we have so little thought of the Government of this country that \$100,000,000 or \$125,000,000 does not appeal to us. We think it is a matter upon which we should not waste a moment's time, and that the question should be determined forthwith, without regard to its merits. Dealing with a subject such as that, we let it go by; but some time in the future there comes a day of reckoning, when those who work for a living or those who have a little must pay every dollar that we fritter away in this mad fashion. We ought not to do it; and it ought not to be done at all by a free body like this, at this or at any other time.

I have no doubt Mr. Jones will do what is right in regard to these loans. But Mr. Jones is not the controlling spirit of our Government. Mr. Jones is not the one who determines our foreign policies. We have heard enough misrepresentation about our foreign policies in the past month. Mr. Jones is not the one who decides what ultimately shall be done; and when the decision is made Mr. Jones will stand aside and do as the particular controlling voice in the Government shall determine.

It is up to the Senate. I do not care a rap. I shall vote against the bill, so I do not care whether the Senate gives \$25,000,000 or \$100,000,000 to Mr. Jones to play with as he sees fit. I do not care, except so far as the morals of the situation are concerned, and so far as justice to the American people is concerned. The Senate may do as it wishes with this amount. It may do as it desires in putting further taxes upon the American people. It is true the sum involved is small; but when taken in the aggregate with all the sums presented, it is \$1,900,000,000. It is up to the Senate. I shall be forced to acquiesce in what the Senate does, but I shall vote against the bill.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Ohio [Mr. TAFT].

Mr. BARKLEY. Mr. President, I move as a substitute for the amendment offered by the Senator from Ohio, to strike out "\$125,000,000" and to insert in lieu thereof "\$175,000,000", with a proviso at the end of the section.

The PRESIDING OFFICER. The amendment offered by the Senator from Kentucky [Mr. BARKLEY] in the nature of a substitute for the amendment offered by the Senator from Ohio [Mr. TAFT] will be stated for the information of the Senate.

The LEGISLATIVE CLERK. On page 18, line 15, it is proposed to strike out "\$125,000,000" and insert "\$175,000,000: *Provided*, That no loan shall be made under this section for any purpose other than facilitating trade by way of increasing exports from the United States to foreign markets: *And provided further*, That all funds made available under this section shall be expended in the United States."

Mr. GEORGE rose.

The PRESIDING OFFICER. The question is on the amendment in the nature of a substitute offered by the Senator from Kentucky [Mr. BARKLEY] to the amendment of the Senator from Ohio [Mr. TAFT].

The Senator from Georgia is recognized.

Mr. GEORGE. Mr. President, I do not wish to be heard since the Senator from Kentucky has offered this amendment, but I had risen to say that it ought to be entirely clear that our cloth is being cut to fit a foreign pattern; that we are not making our foreign policies; that we are in this bill, without this amendment certainly, permitting corporations that have been created by the Congress to shape our foreign policy to meet the necessities or the wishes of other countries.

I realize, Mr. President, that I am making a very grave statement, but the truthfulness of the statement I am making will be borne out and verified by time. We have witnessed a complete change of policy by this Government on the question of tariffs. There were those of us who stood for a liberal

trade policy with all the world, not with imaginary friends or imaginary foes. We stood for a policy that would break down quotas, embargoes, restrictions, and prohibitive tariffs. But all that has changed. The department of the Government that in December 1938 was vigorously opposed to subsidies upon exports of our raw materials is now vocal and pleading for subsidies upon such materials.

Why? Everybody knows that \$100,000,000 is adequate as a capital for the Export-Import Bank to encourage any legitimate efforts to expand legitimate foreign trade. We have changed the whole program; we have changed the whole policy. Are we changing it for America? If so, all good and well; but let us stand up here and say so. Are we changing it to suit the necessities of somebody else, of some other nation? If so, let us say so. I have the profoundest respect for any man who says that he wants to change our policies, that he wants to go back on everything for which we have stood for the sake of aiding a particular nation, A or B, because he is against C and D; but let him stand up and say so.

What is the necessity for more than \$100,000,000 or \$125,000,000 for the Export-Import Bank? Is there any necessity for an increase so far as we are concerned? Would it promote foreign trade and commerce? Can there be any promotion of foreign trade and commerce in the vacillating, changing, day-by-day program? Can there be any promotion of foreign commerce if the State Department today is against subsidies and is against barter and is for free and liberal programs of international commerce and trade, and tomorrow is in favor of barter and of subsidies and an illiberal program?

Mr. President, I have no sympathy whatever with any totalitarian state on the face of the earth, but I have an attachment and love for my country, and I raise the question now, Are we trying to shape our foreign policies to fit the needs and necessities and security of the American people or are we trying to serve the ends of others as we fancy them as being our ends and our interests? No nation ever made a greater mistake; no nation could make a more fatal blunder. Our duty and our responsibility are to our own people. We can never serve it unless we have an eye single to our own interests. I want foreign trade, I want foreign commerce, but I want it on a basis that will last. I do not want it on a basis of favoritism; I do not want it on a basis of subsidy.

Time after time Mr. Jones himself has committed himself to the proposition that \$125,000,000 was adequate; but now we must make additional loans; we must have additional authority. This amendment is relatively insignificant, but what is profoundly significant is whether we are making our foreign policy or whether we are cutting the cloth to suit the pattern of some other nation.

I raise this question, and I raise it deliberately. Mark my words, Mr. President, in a comparatively short time it will appear that we are not making our foreign policy according to the demands, the necessities, and wishes and the interest of America, but we are looking elsewhere. I never made a more serious declaration in the Senate, and perhaps I never shall, but to me it is all too clear that what I am now saying is the truth. If we want to promote exports, all right; but why abandon our whole tariff policy? Why abandon our whole program under the reciprocal-tariff agreements if they were right? Why destroy the very objective of the whole program? Whom do we want to favor? Whom do we imagine are our friends or whom do we fancy are our foes? It seems to me that President Washington was right when he said that a nation could be enslaved by an undue attachment to a foreign power as well as by undue animosity toward a foreign power.

Mr. President, gratitude is all too rare among men who daily pass each other upon terms of equality on the streets of the village or the city. In international matters it were better to make our own policy. This is not by any means a disconnected event. We changed our policies in the face of declarations that we were opposed to barter, but we have

become a bartering nation. In face of a solemn declaration that we were opposed to subsidies we have become a subsidizing nation. In the face of our own statutes providing that we were against dumping we have become a dumping nation. That will not preserve our foreign trade, Mr. President. I want our actions to be on a basis that will enable us to hold foreign trade and foreign commerce on the merits of our products and on the policies that we adopt for the protection of our own people.

Mr. President, regardless of what may be said to the contrary, I know that there is no possible reason for more than \$125,000,000 for the Export-Import Bank if it is the intention to use it merely to promote commerce between this country and foreign nations. If we want to make foreign loans, let us say so, and let each loan stand on its own merits.

Mr. WAGNER. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. WAGNER. Mr. Jones testified before the committee that if he is to continue aiding our exporters to sell their products abroad, he would have to secure an increase because all of the money now authorized has been committed. He suggested \$100,000,000. The moneys which he is authorized to use for loans have been committed. So if it is desired to continue the activity of helping to secure foreign markets, which the Senator favors, Mr. Jones would have to have an additional sum of money.

Mr. REED. Mr. President, may I inquire whether this is a private conversation or is it intended for the ears of Senators? I should be very happy if the distinguished Senator from New York would utter his words loud enough so that some of us who are intensely interested in the subject may hear them.

Mr. WAGNER. I beg the Senator's pardon; I thought I had spoken loud enough.

Mr. GEORGE. May I answer?

Mr. WAGNER. Yes.

Mr. GEORGE. Mr. President, I do not understand that all of the funds appropriated for the capital of the Export-Import Bank have been used. Some \$53,000,000 have been used. The fund is a revolving fund.

I am as strongly in favor of increasing our exports as is anyone else. I am willing to increase them by any legitimate means. I want to increase them, Mr. President; but I have a right to ask, and I will ask, why there is to be a change in our entire domestic program, if we are looking to our own country.

I have seen the program changed. I cannot understand it. I have only a limited knowledge and a limited capacity to understand, but I have seen our entire tariff program changed. I have seen the entire program changed so far as our exports and imports are concerned. I have seen the whole philosophy of it changed.

The PRESIDING OFFICER. The time of the Senator from Georgia on the substitute amendment has expired.

Mr. GEORGE. Mr. President, I leave the question now. I had intended to raise it and have done so.

The PRESIDING OFFICER. The question is on the amendment in the nature of a substitute offered by the Senator from Kentucky [Mr. BARKLEY] to the amendment of the Senator from Ohio [Mr. TAFT].

Mr. VANDENBERG. Mr. President, I wish to speak briefly on the substitute amendment submitted by the able majority leader. He is obviously making a good-faith effort to try to assure the expenditure of these funds upon American-made commodities. But that does not at all meet the issue that has been raised. Suppose every penny of the loan of May 17, 1939, to the Banco Nacional de Nicaragua—which is entirely and exclusively a governmental instrumentality—is spent for American products; what of it as respects the fundamental issue that is raised here? We must look to the maker of the note for our money.

The maker of the note is a foreign government or its instrumentality; and so long as the maker of the note is a

foreign government or its instrumentality, it makes no difference whatever how we protect the expenditure to make sure that every nickle of it is spent in the United States. We have not avoided the fundamental challenge that we must not go into the business of making loans to foreign governments and foreign instrumentalities, because that way lies the root of trouble and difficulty; that way lies the root of default and repudiation; that way lies the experience we have had with loans to foreign governments and to their instrumentalities. Five billion dollars was loaned abroad in the 1920's—for what purpose? For the purpose of buying American commodities. Every penny of it might have been committed by the amendment submitted by the able Senator from Kentucky; every penny of it might have been committed by law to expenditure in the United States. What of it? That does not alter the fact that all the \$5,000,000,000 is in substantial default. That does not alter the fact that our experience with loans to foreign governments and foreign instrumentalities is utterly bad.

Mr. President, I submit that the amendment in the nature of a substitute offered by the Senator from Kentucky, despite his earnest effort to meet a portion of the criticism that is leveled at this Export-Import Bank increase, does not remotely touch the point. The point is, as Mr. Jones said—and he should know better than any other man in Washington—that within the last 4 months \$125,000,000, which is the sum provided by the amendment submitted by the Senator from Ohio, was all that he could use wisely and to advantage in the direct encouragement of export trade. The only thing that has happened in between to change the policy and purpose of our external loans is the letter of the President of the United States in which he said that he wanted to make loans to foreign governments. It is loans to foreign governments and to the instrumentalities of foreign governments that have chiefly been made since that letter was written.

Mr. President, I submit that the case stands precisely as it did before the Senator from Kentucky offered his proposed substitute. The substitute should be rejected, and the amendment of the Senator from Ohio should be adopted.

Mr. BARKLEY. I dislike very much to have to keep occupying the floor, but I cannot let the statements of the Senator from Michigan go without reply. I thank him for his concession that I am making an obvious effort.

Mr. VANDENBERG. That is an obvious concession.

Mr. BARKLEY. But no matter how earnest or honest my effort, obviously I cannot satisfy the Senator from Michigan.

Mr. VANDENBERG. Not when it comes to making foreign loans.

Mr. BARKLEY. Let us concede that in writing the letter to the Senator from South Carolina the President had in his mind the making of foreign loans for the purpose of facilitating American trade. There is nothing in the bill that is based upon the President's letter, insofar as that part of it was concerned. There is nothing in the proposal which changes a particle the law now in existence with respect to the Export-Import Bank. In order to satisfy those who are suspicious or fearful that some loan might be made for some other purpose except to facilitate American trade, I have offered this proviso, that no loan shall be made under this section except for the purpose of facilitating American trade by way of increasing American exports, and that every dime of the money shall be expended in the United States. Under that proviso even the little 20 percent the Republic of Haiti would use in order to employ her own labor and not have to import it from the United States would be covered. That was a concession brought about by the peculiar relationships which have existed between the United States and Haiti, with which we are all familiar.

Under the substitute not a dime of this money can be advanced for any other purpose except to promote American trade. There is not a nickel of it that can be advanced which foreign governments could employ in their own countries to expand factories or do anything else with except buy American products. That is all, and that is all we are interested in.

I do not know whether the \$175,000,000 which I have provided, which represents a \$25,000,000 reduction, will be sufficient or not; but if it is not, I suppose we can get along until Congress meets again. But from the 1st of last April to the 1st day of August they have used up the \$100,000,000 we gave them in March; that is, the amount has been committed; it has not all been used. There is now outstanding about \$55,000,000 in loans, and the rest of it has been committed. If the rest of it has been committed, the Export-Import Bank can make no further loans and can provide for the facilitation of no further American exports until it is determined whether those commitments will actually be used or the entire amount, or a considerable portion of it, or enough of it, is repaid to enable the Export-Import Bank to engage in further export or import transactions. I think this is a fair effort to meet the situation, to allay any fears on the part of anyone, and I hope the substitute will be agreed to.

Reference has been made to the Johnson Act. Of course, that act applies to all foreign governments and the agencies of such governments which are in default to the United States Government. It does not apply to countries which are in default simply to private citizens of the United States. It applies to those governments which are in default to the Government of the United States as such, to which the United States has made loans; and if there is any such South American or Central American country, it would apply just as effectively as if it were a European country. I urge the adoption of the substitute.

Mr. NORRIS. Mr. President, I want to understand the parliamentary situation. The Senator from Ohio, as I understand, has offered an amendment to cut the amount of \$200,000,000 down to \$125,000,000. That is all his amendment does. It seems we are talking about a substitute. I desire to know whether the amendment offered by the Senator from Kentucky can be in any way a substitute for the amendment of the Senator from Ohio?

The PRESIDING OFFICER. The Chair holds that the amendment is in the nature of a substitute, since it changes the amount of the appropriation, and adds a proviso.

Mr. NORRIS. I should like to have the substitute read.

The PRESIDING OFFICER. The amendment in the nature of a substitute will be reported again for the information of the Senate.

The LEGISLATIVE CLERK. Mr. BARKLEY proposes an amendment in the nature of a substitute for the amendment offered by Mr. TAFT, on page 1, line 2, of the amendment offered by Mr. TAFT to strike out the numerals "\$125,000,000" and insert "\$175,000,000: *Provided*, That no loans shall be made under this section for any purpose other than facilitating trade by way of increasing exports from the United States to foreign markets: *Provided further*, That all funds made available under this section shall be expended in the United States."

Mr. TAFT. Mr. President, I am glad to note from the substitute amendment of the Senator from Kentucky that the figure \$200,000,000 at least is not a sacrosanct figure. He is willing to concede from that figure.

The significance of the \$125,000,000 is that that is the figure Mr. Jones said was all that he would ever need in order to carry on the kind of activities the Export-Import Bank had been carrying on prior to that time.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. TAFT. For a moment.

Mr. BARKLEY. The Senator knows that Mr. Jones said that in March, and only a week or 10 days ago before our committee he urged the increase in the capital to the amount carried in the bill. So that Mr. Jones, who has had the experience of administering the law, in view of his success up to now, believes that the additional amount is necessary.

Mr. TAFT. Because since that time the Export-Import Bank has engaged in a policy of making loans to foreign governments. The only reason why he has used up this money is that he has done that. He has loaned \$19,200,000 to the Bank of Brazil. It was done by agreement with the Bank of Brazil, a very considerable agreement, by the way, which was not presented to the Senate to ratify, but involved other matters beside the \$19,000,000. He has since that time

made a commitment of two and a half million to Nicaragua, two and a half million to Paraguay, five million to the Portuguese railways, four million to Uruguay. As long as he confined himself to the regular business, \$125,000,000 was plenty, and he said so, but now they have branched out into loans which, it cannot be questioned, are foreign government loans.

Mr. BARKLEY. The loans so far as the Portuguese railways are concerned were made to the following American companies: American Locomotive Sales, International General Electric, E. G. Budd Manufacturing Co., Baldwin Locomotive Works.

Mr. TAFT. Those are the applicants.

Mr. BARKLEY. They are the people who got the money.

Mr. TAFT. What the Government gets finally is a note of the Portuguese railways, which runs for 5 years, and is payable in semiannual installments.

Mr. BARKLEY. It gets the obligation of these American companies, which is backed up by those notes, but the loan is made to the American companies, with their obligation.

Mr. TAFT. I did not ask in every case whether the notes were taken without recourse or not. In many cases I know they were taken without recourse. Frankly, I do not know about that in the particular case to which the Senator has referred.

If we adopt the amendment after this debate, it amounts to saying, "We approve of the policy of lending money to foreign governments and foreign instrumentalities, providing they use the money to buy goods in the United States." That is the condition we put on the war loans, that is the condition, practically, we included in many cases, at least, on the loans made after the war. That is not the debate, that is not a concession in argument made in the debate before the Senate. I think it is perfectly proper to lend the money to encourage sales to foreign governments; I am quite willing to think that even without any provision of this kind Mr. Jones would never make another loan like the loan to Haiti, which was conditioned on the money coming 100 percent back to the United States. The very point of the argument is that we want to finance loans for the export of products, but not to finance any that are on an unsound basis, a basis which will not contribute to friendship, which will rather hurt our future international standing than help it, which will build up an export-import business which will collapse as soon as it becomes apparent, as it has always become apparent in the past, that the foreign governments do not pay their loans because they do not have to, and we do not make them. At that time we will find a collapse in these industries, which will have an adverse effect again on employment in this country.

So that it seems to me no concession is really made by the substitute, and I would request that the substitute be voted down, and the amendment itself be adopted.

Mr. KING. Mr. President, in my own time I should like to ask the Senator a question.

Mr. TAFT. Certainly.

Mr. KING. Does not the Senator believe that if we embark upon a program of lending to governments, we will of necessity have repercussions which will be unfavorable? If we lend to government A, government B will immediately assert that we are favoring government A, and it will perhaps arouse antagonism against America and American producers. Does not the Senator believe that if we are to embark upon the policy of lending to governments, Congress itself should be called upon to speak with respect to the government or governments which shall become obligated to us, and we become their beneficiaries?

Mr. TAFT. Yes. I think any loan to a government should be made by treaty, unless there is some great emergency, or we are in the midst of a great war.

Mr. KING. Of course, if we were in the midst of war, and one of our associates in the war, as in the time of the World War, wanted a loan, we would be perfectly justified, if it contributed to the ultimate success of the venture, in making very large loans, as we did during the World War, to aid in the cause. But I am opposed to the lending of

money to any country except under such circumstances as those indicated, as in the case of war, where our associates might appeal for credit, and I might be in favor of extending credit. But I would be very much opposed to authorizing Mr. Jones—an able man, of course—to lend to any government he pleases.

Mr. ADAMS. Mr. President, I really desire to ask the Senator from Kentucky, in my time, to give me a bit of information, though probably I should know the answer. The first matter is, I am interested in the mechanics of the financial operations of the Export-Import Bank. I find in the list of credit extensions that the applicant carries 33⅓ or 50 percent of the loan. Take the American Locomotive Co., or the Fairbanks-Morse Co. Does the Export-Import Bank make a direct loan to these corporations of a certain amount of money, to be expended by them in their export business and in the preparation of materials for manufacture or for export?

Mr. BARKLEY. I probably can answer that by reading from the circular giving the general policy of the Export-Import Bank, which was issued in June of last year:

The bank is interested primarily in assisting nationals of this country in the development of sound foreign trade, and not in propositions involving the outright purchase of foreign securities or blocking balances having no relation to actual current commercial transactions.

(1) In cases where American exporters desire to bid on foreign business the bank will study such proposals with a view to making commitments in advance of the submission of such bid.

It says further on:

Any exporter or importer may make application for credit by writing directly to Export-Import Bank of Washington, Washington, D. C., or through a commercial bank.

The loans to which the Senator refers are made directly to the domestic corporation.

Mr. ADAMS. Is it a loan upon which the domestic corporation has a liability to the Export-Import Bank? For instance, I see the Fairbanks-Morse Co. listed. Does the Export-Import Bank lend them a certain sum which that company owes to the Export-Import Bank regardless of the outcome of the foreign venture?

Mr. BARKLEY. The Export-Import Bank really does a general banking business, as a matter of fact. Sometimes the local domestic corporation assumes 25, sometimes 50, sometimes 100 percent of the entire loan. In some cases I think the Export-Import Bank has permitted the domestic corporation to assume a portion of the loan, and to rely upon the security they take for the repayment of the loan.

Mr. ADAMS. But, assuming that the foreign purchaser does not pay an obligation, can the Export-Import Bank collect from the American exporter?

Mr. BARKLEY. Not in every case, because in some cases, where it extends credit, say, up to 50 or 75 percent to the American corporation, it may rely upon the assets or the security taken by the domestic corporation from the foreign corporation, which may be put up as a part of the security, and to that extent the domestic corporation may be released beyond the actual percentage of its direct obligation.

Mr. ADAMS. Then do I understand that the Export-Import Bank guarantees to the exporter one-third or one-half of all the collections?

Mr. BARKLEY. I suppose one might put that interpretation on it to the extent that it does not obligate the domestic corporation to pay the entire amount out of whatever assets it has.

Mr. ADAMS. I notice in the list great corporations, such as General Motors, Firestone Tire & Rubber Co., the Ford Co.—corporations which are amply able to finance themselves. I am merely trying to understand clearly the mechanics of the thing.

Mr. BARKLEY. As in the case of any bank which discounts paper, some of it is without recourse; and, of course, in such a case the Senator is familiar with what that amounts to in the way of a guaranty, or a transfer, or assignment, or endorsement. In some cases it may operate to release the American company of part of its obligation or the entire amount.

Mr. ADAMS. As I recollect, Mr. Jones said that the R. F. C. has an available lending capacity at this time of roughly \$1,400,000,000.

Mr. BARKLEY. No; not at all. The Senator is confusing the general authority of the R. F. C. to make loans with the Export-Import Bank.

Mr. ADAMS. No; I am not confusing it. The R. F. C. has an aggregate unused lending capacity of \$1,350,000,000.

Mr. BARKLEY. Yes; for all purposes.

Mr. ADAMS. For all purposes. Now my question is, If this authority of the Reconstruction Finance Corporation is not a power, for instance, to make a loan to Fairbanks, Morse & Co. to enable them to conduct export business?

Mr. BARKLEY. I presume, so far as agricultural commodities are concerned, the R. F. C. might make loans under a previous statute, but it did not have the authority to do it in the way in which it was desirable to do it. Otherwise, the Export-Import Bank would not have been necessary. It was found that it would be more businesslike to create this bank to do business as an ordinary bank in carrying out the purposes of facilitating foreign trade.

Mr. ADAMS. Let us say, for instance, that the capital or loaning capacity of the Export-Import Bank was fixed at \$175,000,000 or \$125,000,000, or \$100,000,000, and an emergency arose, and that amount was not quite adequate for the immediate problem, the purpose of my inquiry was to find out whether or not the R. F. C. was in a position to step in and meet the emergency.

Mr. BARKLEY. It might in isolated cases, but it could not in a general way to the same degree as is authorized under the Export-Import Bank.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. ADAMS. Certainly.

Mr. VANDENBERG. I should like to go back to the Senator's original question, because I think it is important. I do not see how there can be any doubt about the mechanics. The Senator referred to the Portuguese loan of \$5,000,000. Let us see what happens on the face of the record. The applicant is the American Locomotive Sales Corporation, of New York, the International General Electric Co., of New York, the E. G. Budd Manufacturing Co., of Philadelphia, and the Baldwin Locomotive Works, of Philadelphia. Without any doubt, these four American corporations are going to get the benefit of this loan, and that is the point covered by the pending substitute. But this equipment is to be furnished to the Portuguese Railways, which is exclusively an instrumentality to the Government of Portugal, and the applicants, being these four American corporations, carry 25 percent of the loan. Who possibly could carry the other 75 percent in final responsibility except the Portuguese Railways, which in turn is the Portuguese Government? So it is not a final 75-percent reliance upon the Portuguese Government, on the face of the record?

Mr. ADAMS. May I in a measure answer that by asking a question of the Senator from Kentucky? The Federal agency, the Export-Import Bank, in a sense guarantees the American Locomotive Co. on its sales of locomotives to some foreign corporations of some kind. As I understand, it means, if the locomotives are not paid for, and there is a 50-percent participation, that the Export-Import Bank stands 50 percent of the loss.

Mr. BARKLEY. It is a possibility; but that method is adopted by all banking institutions in the matter of foreign trade.

Mr. ADAMS. Oh, no.

Mr. BARKLEY. They do it in part by acceptances, by discounts, and by endorsements—

Mr. ADAMS. No, no. There is no bank in the world that ever, for ordinary interest rate, accepted the responsibility of taking half of the loss and none of the profit. That is not done. What we are trying to do is to stimulate foreign trade by the acceptance and the assumption, as I understand, of part of a loss that may come. My question is this: If we are protecting the American Locomotive Co., or the General Motors Co., as to one-third, or one-half, or some other fraction of their losses, is the United States as a whole furthering

its commercial enterprises by imposing the loss upon the Federal Government rather than by allowing the individual corporation to carry it? That is, the net result, so far as national assets are concerned, is the same unless business is stimulated in such a way as to do the country some good.

Mr. BARKLEY. Of course, none of the money leaves the country. It is used for the general purpose of carrying out the contract, and it remains here until the obligation is discharged. Of course, it is possible, I suppose, to imagine some exceptional case where the Export-Import Bank would take a risk by limiting the obligation of the operating corporation in the United States to 50 or 75 percent. It may take a theoretical risk in depending upon the security of a foreign corporation to repay. But that is the sort of transaction which frequently occurs in international trade in all sorts of banks. Up to date there have been no losses due to such risk. On the contrary, as I have already stated, the Export-Import Bank has made a profit. It did make a profit in the fiscal year ending on the 1st of this last June of \$1,700,000. So there may be a theoretical risk, but no actual risk.

Mr. BORAH. Mr. President, may I ask the Senator a question?

Mr. ADAMS. Certainly.

Mr. BORAH. The difference between these two amendments, so far as dollars is concerned, is \$50,000,000. What is the difference between them so far as using that money for governmental purposes is concerned?

Mr. ADAMS. As I understood the Senator from Kentucky, it was in putting into words limitations which we all understood were actually in the incorporation of the organization. That is, none of us contemplated in the creation of the Export-Import Bank that it would make foreign loans. Now the Senator from Kentucky is putting into the measure a definite provision that the Export-Import Bank shall comply with our understanding when the bank was created. I was hopeful the Senator from Ohio would accept a proviso—

Mr. TAFT. There is nothing in the substitute whatever that even mentions foreign governments or in any way prohibits the sale to foreign governments. The Senator understands that. Of course, if the Senator would add an additional proviso that there should be no such loans to foreign governments, then it would be entirely acceptable to me. Incidentally, I would be quite willing, so far as my amendment is concerned, to add the Senator's proviso to the \$125,000,000 proposed by my amendment.

Mr. ADAMS. I think the proviso offered by the Senator from Kentucky would constitute an improvement, if it were added to the amendment of the Senator from Ohio as it stands, and I have no doubt the Senator from Kentucky would be glad to have that done in order to make the provision clear.

Mr. TAFT. I would like to perfect my amendment by adding to it the proviso offered by the Senator from Kentucky. I do not think it means very much, but so far as it goes, it goes very much in the right direction.

The PRESIDING OFFICER (Mr. La FOLLETTE in the chair). The Senator has the right to modify his amendment until the time it is voted on.

Mr. BARKLEY. The question involved in the definition is one that undoubtedly causes difficulty. It might be provided that no loan shall be made for governmental purposes, but what is a governmental purpose depends entirely on the laws of the government of the country where the exports are to go. Of course all of this is always under the control of the Export-Import Bank. It can turn down all applications if it so wishes.

The PRESIDING OFFICER. The time of the Senator from Colorado [Mr. ADAMS] on the amendment has expired.

The question is on the amendment in the nature of a substitute offered by the Senator from Kentucky [Mr. BARKLEY] for the amendment of the Senator from Ohio [Mr. TAFT] as modified.

Mr. BARKLEY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll and the following Senators answered to their names:

Adams	Davis	King	Russell
Andrews	Downey	La Follette	Schwartz
Austin	Ellender	Lee	Schwellenbach
Bailey	Frazier	Lodge	Sheppard
Bankhead	George	Lucas	Shipstead
Barkley	Gerry	Lundeen	Slattery
Bilbo	Gibson	McCarran	Smathers
Bone	Gillette	McKellar	Smith
Borah	Guffey	Maloney	Stewart
Bridges	Gurney	Mead	Taft
Brown	Hale	Miller	Thomas, Okla.
Bulow	Harrison	Minton	Thomas, Utah
Burke	Hatch	Murray	Townsend
Byrd	Hayden	Neely	Truman
Byrnes	Herring	Norris	Tydings
Capper	Hill	Nye	Vandenberg
Chavez	Holman	O'Mahoney	Van Nuys
Clark, Idaho	Holt	Pepper	Wagner
Clark, Mo.	Hughes	Pittman	Walsh
Connally	Johnson, Calif.	Radcliffe	Wheeler
Danaher	Johnson, Colo.	Reed	White

The PRESIDING OFFICER. Eighty-four Senators have answered to their names. A quorum is present.

The question is on agreeing to the amendment offered by the Senator from Kentucky [Mr. BARKLEY] in the nature of a substitute for the amendment offered by the Senator from Ohio [Mr. TAFT], as modified.

Mr. BARKLEY and Mr. TAFT asked for the yeas and nays.

The yeas and nays were ordered.

Mr. TAFT. Mr. President, may the amendment of the Senator from Kentucky be read, as well as my amendment, as modified?

The PRESIDING OFFICER. The amendments will be read for the third time for the information of the Senate.

The LEGISLATIVE CLERK. The amendment of the Senator from Ohio proposes, on page 18, line 15, to strike out "\$200,000,000" and insert: "\$125,000,000: *Provided*, That no loan shall be made under this section for any purpose other than facilitating trade by way of increasing exports from the United States to foreign markets: *Provided further*, That all funds made available under this section shall be expended in the United States."

The amendment offered by the Senator from Kentucky in the nature of a substitute for the amendment offered by the Senator from Ohio, as modified, proposes, on page 18, line 15, to strike out "\$125,000,000" and insert: "\$175,000,000: *Provided*, That no loan shall be made under this section for any purpose other than facilitating trade by way of increasing exports from the United States to foreign markets: *Provided further*, That all funds made available under this section shall be expended in the United States."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Kentucky [Mr. BARKLEY] in the nature of a substitute for the amendment offered by the Senator from Ohio [Mr. TAFT], as modified.

Mr. CLARK of Missouri. Mr. President, I should like to ask the Senator from Kentucky whether or not in his contemplation the substitute amendment proposed by him would permit the use of Government credit—for it is essentially Government credit—for the exportation of arms, munitions, and implements of war?

Mr. BARKLEY. Subject to the law regulating the exportation of arms, munitions, and implements of war, and subject to the law governing the Export-Import Bank, if any such commodities could be squeezed in between those two provisions of law, it might be possible.

Mr. CLARK of Missouri. Mr. President, I do not desire to detain the Senate. The yeas and nays have already been ordered. I merely desire to say that I do not intend to vote for any sort of appropriation or the extension of any sort of Government credit for the purpose of using the credit of the United States to finance and facilitate armament programs in foreign nations.

Mr. BARKLEY and Mr. NORRIS addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Missouri yield; and if so, to whom?

Mr. CLARK of Missouri. I yield to the Senator from Kentucky. I shall be glad to yield to the Senator from Nebraska in just a moment.

Mr. BARKLEY. I should like to answer the suggestion of the Senator from Missouri by saying that no such loan has been made by the Export-Import Bank, and no such loan is contemplated, even if it were possible.

Mr. CLARK of Missouri. Would the Senator be willing to include a provision to prohibit such loans?

Mr. PITTMAN. Mr. President, will the Senator yield?

Mr. CLARK of Missouri. I yield.

Mr. PITTMAN. Why not make the provision broader and say we shall not ship out of the United States arms, munitions, or implements of war to any country, any time, anywhere?

Mr. CLARK of Missouri. That would be agreeable to me.

Mr. PITTMAN. That question is now before us.

Mr. CLARK of Missouri. The Senator does not intimidate me at all with that proposal.

Mr. BARKLEY. Mr. President, I do not think there is any necessity to provide for any such contingency in this bill. We have had before us the question of the exportation of arms and munitions. We have passed laws on the subject. The proposal involves the whole question of neutrality; and I do not think that question ought to be injected into this legislation.

Mr. CLARK of Missouri. I simply injected it, Mr. President, because it will determine how I shall individually cast my vote. I had hoped to be able to vote for the Senator's substitute.

Mr. BARKLEY. As between the amendment offered by the Senator from Ohio and my substitute there is no difference on that subject.

Mr. CLARK of Missouri. I understand.

Mr. BARKLEY. There would be no advantage one way or the other.

Mr. CLARK of Missouri. There would be an advantage of \$50,000,000.

Mr. BARKLEY. If that would be an advantage.

Mr. NORRIS. Mr. President—

Mr. CLARK of Missouri. I agreed to yield to the Senator from Nebraska.

Mr. NORRIS. I think the suggestion I wanted to make to the Senator from Missouri has already been covered by the Senator from Kentucky. Referring to the question the Senator from Missouri raised, there is absolutely no difference between the amendment of the Senator from Kentucky and the amendment offered by the Senator from Ohio.

Mr. CLARK of Missouri. There is \$50,000,000 difference.

Mr. NORRIS. As I see it—and I do not believe there can be any dispute about it—there is only one difference between the two propositions now, and that is one provides for \$175,000,000, the other provides for \$125,000,000.

Mr. CLARK of Missouri. I will say to the Senator from Nebraska that, if the question is presented, assuming that this money were to be used for armament purposes for other nations, the difference between whether we spent \$125,000,000 to arm foreign nations or \$175,000,000 would be a very material consideration.

Mr. BARKLEY. Mr. President, nobody in this entire discussion or in the hearings or in the activities of the Export-Import Bank, to which this portion of the bill is limited, and to which the amendment is limited, has ever thought of the exportation of arms and munitions. Nothing of that kind has ever been done, and I am satisfied that it will not be done. If the Senator were to insist that, under no circumstance, should the United States provide or assist in any way in the exportation of arms to any country, it might even involve the question of what assistance we would render to South and Central American nations under the Monroe Doctrine in the event it should become necessary for them to obtain such articles for their own protection and defense.

Mr. TYDINGS. Mr. President—

Mr. CLARK of Missouri. I yield.

Mr. TYDINGS. I think the Senator from Nebraska has just stated what is the fundamental difference between the two amendments, and I agree with what he said; and I should like to ask, in the time of the Senator from Missouri—

Mr. CLARK of Missouri. I yield the floor.

Mr. TYDINGS. I do not want the floor, as my time has expired. So I should like to ask the Senator from Missouri a question in his own time.

Mr. CLARK of Missouri. Very well.

Mr. TYDINGS. I ask whether or not the Senator from Kentucky would consent to voting upon his proposal as two different matters, one relating to the money appropriated, and the other the wording, because I am afraid we will become confused about having the wording of the proposal of the Senator from Kentucky without the money.

Mr. NORRIS. The wording is just the same in both amendments.

Mr. BARKLEY. I will say to the Senator that the substitute amendment which I had offered is the substitute which was read and the Senator from Ohio accepted the latter part of my substitute as the language of his amendment.

Mr. TYDINGS. I have accomplished my purpose, in suggesting that I wanted to prove, that the only real difference was the amount of money, so that Senators would not feel that they would lose the wording of the amendment of the Senator from Ohio.

SEVERAL SENATORS. Vote! Vote!

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Kentucky [Mr. BARKLEY] in the nature of a substitute for the amendment proposed by the Senator from Ohio [Mr. TAFT], as modified. On that question the yeas and nays have been ordered, and the clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. DAVIS (when his name was called). I have a general pair with the junior Senator from Kentucky [Mr. LOGAN]. I do not know how he would vote; but I transfer that pair to the junior Senator from New Jersey [Mr. BARBOUR], and will vote. I vote "nay."

Mr. MINTON. I announce that the Senator from North Carolina [Mr. REYNOLDS] is detained from the Senate because of a death in his family.

The Senator from Arkansas [Mrs. CARAWAY] and the Senator from Rhode Island [Mr. GREEN] are absent on important public business.

The Senator from North Carolina [Mr. BAILEY], the Senator from Ohio [Mr. DONAHAY], the Senator from Virginia [Mr. GLASS], the Senator from Kentucky [Mr. LOGAN], and the Senator from Louisiana [Mr. OVERTON] are unavoidably detained.

The Senator from Mississippi [Mr. BILBO], the Senator from Washington [Mr. BONE], and the Senator from Nevada [Mr. MCCARRAN] are detained in Government departments.

Mr. GUFFEY (when his name was called). I have a pair with the Senator from New Hampshire [Mr. TOBEY]. I transfer that pair to the Senator from Louisiana [Mr. OVERTON] and will vote. I vote "yea." I am not advised how either Senator would vote if present and voting.

The roll call was concluded.

Mr. HARRISON. I have a general pair with the senior Senator from Oregon [Mr. McNARY] and therefore withhold my vote.

Mr. MINTON. I announce that the Senator from Mississippi [Mr. BILBO] is paired with the Senator from Virginia [Mr. GLASS]. If the Senator from Mississippi were present, and voting, he would vote "nay."

Mr. HAYDEN. I announce that my colleague [Mr. ASHURST] is detained from the Senate because of illness in his family.

Mr. AUSTIN. I announce the general pair of the Senator from Wisconsin [Mr. WILEY] with the Senator from Rhode Island [Mr. GREEN].

The Senator from New Hampshire [Mr. TOBEY] would vote "nay" if present.

The result was announced—yeas 44, nays 35, as follows:

YEAS—44

Andrews	Gillette	Maloney	Schwartz
Bankhead	Guffey	Mead	Schwellenbach
Barkley	Hatch	Miller	Sheppard
Borah	Hayden	Minton	Slattery
Brown	Herring	Murray	Smathers
Byrnes	Hill	Neely	Stewart
Chavez	Hughes	O'Mahoney	Thomas, Okla.
Clark, Idaho	La Follette	Pepper	Thomas, Utah
Connally	Lee	Pittman	Truman
Downey	Lucas	Radcliffe	Wagner
Ellender	McKellar	Russell	Wheeler

NAYS—35

Adams	Davis	Johnson, Calif.	Smith
Austin	Frazier	Johnson, Colo.	Taft
Bridges	George	King	Townsend
Bulow	Gerry	Lodge	Tydings
Burke	Gibson	Lundeen	Vandenberg
Byrd	Gurney	Norris	Van Nuys
Capper	Hale	Nye	Walsh
Clark, Mo.	Holman	Reed	White
Danaher	Holt	Shipstead	

NOT VOTING—17

Ashurst	Caraway	Logan	Tobey
Bailey	Donahay	McCarran	Wiley
Barbour	Glass	McNary	
Bilbo	Green	Overtton	
Bone	Harrison	Reynolds	

So Mr. BARKLEY's amendment in the nature of a substitute for the amendment of Mr. TAFT, as modified, was agreed to.

OBTAINING OF STRATEGIC ISLANDS FOR DEFENSE OF PANAMA CANAL

Mr. LUNDEEN. Mr. President, for some time I have advocated the taking over of strategic and important bases for the protection of the Panama Canal, both on the Atlantic and the Pacific coasts. I have no desire to make any extensive remarks at this time, due to the limitation of debate on the bill, but I ask unanimous consent to have printed in the RECORD certain resolutions and letters bearing upon these proposed bases both on the Atlantic and Pacific coasts.

I further ask to have an article dealing with the subject printed in the RECORD. It is entitled "Canal Authorities Apprehensive of Pacific Attack," written by Alice Rogers Hager, and published in the Washington (D. C.) Evening Star of July 31. The article is dated Panama City, C. Z., July 31, and indicates that the Canal authorities favor my resolutions.

The PRESIDING OFFICER. Without objection, it is so ordered.

The matters referred to are as follows:

[S. J. Res. 119, 76th Cong., 1st sess.]

Joint resolution providing for negotiations by the President with a view to the acquisition, by purchase, of Greenland

Whereas the United States would be able to make more adequate provision for its national defense if it were in possession of Greenland; and

Whereas possession of Greenland by a power hostile to the United States would constitute a distinct threat to the United States, and particularly to the populous area along the northeast seaboard of the United States; and

Whereas valuable trade could be developed between the United States and Greenland if it were a possession of the United States: Therefore be it

Resolved, etc., That the President of the United States is authorized and requested to enter into negotiations, in such manner as he may deem appropriate, with the Government of His Majesty, the King of Denmark and Iceland, for the acquisition by the United States of Greenland. Such negotiations shall be conducted with a view to the making of a treaty between the Government of the United States and the Government of His Majesty, the King of Denmark and Iceland, providing for the purchase by the United States of Greenland.

[S. J. Res. 120, 76th Cong., 1st sess.]

Joint resolution providing for negotiations by the President with a view to the acquisition by purchase of the colony of Curaçao and Netherlands Guiana

Whereas adequate provision for the protection of the Panama Canal is an indispensable feature of our national-defense policy; and

Whereas possession of the colony of Curaçao and Netherlands Guiana by the United States would enable it to provide more adequately for such protection; and

Whereas the colony of Curaçao and Netherlands Guiana export products in which the United States is deficient and import products of which a surplus is produced in the United States: Therefore be it

Resolved, etc., That the President is authorized and requested to enter into negotiations, in such manner as he may deem appropriate,

ate, with the Government of Her Majesty, the Queen of the Netherlands, for the acquisition by the United States of the colony of Curaçao and Netherlands Guiana. Such negotiations shall be conducted with a view to the making of a treaty between the Government of the United States and the Government of Her Majesty, the Queen of the Netherlands, providing for the purchase by the United States of the colony of Curaçao and Netherlands Guiana.

[S. J. Res. 170, 76th Cong., 1st Sess.]

Joint resolution to provide for negotiations by the President with a view to acquiring certain islands owned by the Republic of Mexico.

Whereas Guadalupe Island, Cerros (Cedros) Island, Isabel Island, Las Tres Marias Islands, and the Revilla Gígedo Islands are of strategic importance and vital for the defense of the Panama Canal; and

Whereas such islands are owned by the Republic of Mexico: Therefore be it

Resolved, etc., That the President is authorized and requested to enter into negotiations, in such manner as he may deem appropriate, with the Republic of Mexico with a view to acquiring by purchase or otherwise Guadalupe Island, Cerros (Cedros) Island, Isabel Island, Las Tres Marias Islands, and the Revilla Gígedo Islands from the Republic of Mexico.

[S. J. Res. 171, 76th Cong., 1st sess.]

Joint resolution to provide for negotiations by the President with a view to acquiring certain islands owned by the Republic of Ecuador

Whereas Amortajada or Santa Clara Island, La Plata Island, Puna, Salango, and the Galapagos Islands are of strategic importance and vital for the defense of the Panama Canal; and

Whereas such islands are owned by the Republic of Ecuador: Therefore be it

Resolved, etc., That the President is authorized and requested to enter into negotiations, in such manner as he may deem appropriate, with the Republic of Ecuador with a view to acquiring by purchase Amortajada or Santa Clara Island, La Plata Island, Puna, Salango, and the Galapagos Islands from the Republic of Ecuador.

[S. J. Res. 172, 76th Cong., 1st sess.]

Joint resolution to provide for negotiations by the President with a view to acquiring Malpelo Island and Gorgona from the Republic of Colombia

Whereas Malpelo Island and Gorgona are of strategic importance and vital for the defense of the Panama Canal; and

Whereas such islands are owned by the Republic of Colombia: Therefore be it

Resolved, etc., That the President is authorized and requested to enter into negotiations, in such manner as he may deem appropriate, with the Republic of Colombia with a view to acquiring by purchase Malpelo Island and Gorgona from the Republic of Colombia.

[S. J. Res. 173, 76th Cong., 1st sess.]

Joint resolution to provide for negotiations by the President with a view to acquiring certain islands owned by the Republic of Panama

Whereas Isla Coliba, Jicarón, and the Perlas Islands are of strategic importance and vital for the defense of the Panama Canal; and

Whereas such islands are owned by the Republic of Panama: Therefore be it

Resolved, etc., That the President is authorized and requested to enter into negotiations, in such manner as he may deem appropriate, with the Republic of Panama with a view to acquiring by purchase Isla Coliba, Jicarón, and the Perlas Islands from the Republic of Panama.

[S. J. Res. 174, 76th Cong., 1st sess.]

Joint resolution to provide for negotiations by the President with a view to acquiring Cocos Island, Cano Island, and Isla San Lucas (Golfo de Nicoya) from the Republic of Costa Rica

Whereas Cocos Island, Cano Island, and Isla San Lucas (Golfo de Nicoya) are of strategic importance and vital for the defense of the Panama Canal; and

Whereas such islands are owned by the Republic of Costa Rica: Therefore be it

Resolved, etc., That the President is authorized and requested to enter into negotiations, in such manner as he may deem appropriate, with the Republic of Costa Rica with a view to acquiring by purchase Cocos Island, Cano Island, and Isla San Lucas (Golfo de Nicoya) from the Republic of Costa Rica.

VETERANS OF FOREIGN WARS OF THE UNITED STATES,
Washington, D. C., July 31, 1939.

HON. ERNEST LUNDEEN,
Senate Office Building, Washington, D. C.

DEAR SENATOR LUNDEEN: I note that you have proposed, in five joint resolutions introduced in the Senate, legislation authorizing the President to negotiate for the purchase of a number of islands and other territory which you feel should be under our defense

control as a matter of national safety. I feel that this is one of the best and most constructive ideas yet advanced for our national defense scheme, and I sincerely believe that the Veterans of Foreign Wars will want to support you in this legislation.

Mr. Millard W. Rice, our national legislative representative, and I have discussed the question and plan to present resolutions supporting your proposals at the Fortieth Annual Encampment of the Veterans of Foreign Wars which will take place at Boston during the latter part of August. I shall appreciate it if you will send me copies of your resolutions for use in presenting the matter to our encampment. We now have no mandate on this particular angle of national defense.

Thank you very much for your courtesy.

Very sincerely yours,

VICTOR E. DEVEREAUX, Director.

NATIONAL ASSOCIATION FOR THE CALLING OF A
UNITED STATES CONSTITUTIONAL CONGRESS,
New York, July 20, 1939.

HON. ERNEST LUNDEEN,

United States Senator,

United States Senate, Washington, D. C.

MY DEAR SENATOR LUNDEEN: Please accept sincere compliments and respects, and permit request for two copies of the bill which the United Press recently indicated as having been introduced in the Senate by your worthy and esteemed self, apropos of the desirability of the transfer to the United States by foreign countries of their territories and other lands in the Western Hemisphere.

Your kindness will be cordially appreciated.

Assurances of kind regards and good wishes are herewith transmitted.

Very respectfully,

R. MOULTON PETTEY.

JULY 24, 1939.

DEAR SENATOR LUNDEEN: I have read with great enthusiasm an article in the Journal-American stating that you are proposing a resolution that the United States obtain all the islands in the Caribbean Sea either by direct purchase or obtain them in lieu of our war debts.

I am definitely in favor of such a proposal, and I know that many of my friends are also. We have talked about this same thing many times. It seems that quite a few people cannot realize the predicament we would be put to if the Panama Canal was sabotaged. I am in favor of two strong fleets, one for the Atlantic and one for the Pacific. I am also in favor of buying the Galapagos and the Dutch property and to negotiate for the exchange of British and French property for the war debts.

I suppose many a Senator or Representative will fall for the usual wily British actions such as that talked about recently where they want a substantial reduction and then to amortize the balance. Later they will repudiate that balance and ask for another reduction. Only God knows how long that will continue. Recent events concerning British recognitions of various concessions including the recognition of Japanese belligerent rights in China show that Britain would double-cross us if the going would be too tough for them, and they would readily leave us holding the bag. The visit of the King and Queen was the highest of British propaganda, and I am sure that you and other Senators didn't fall for it.

I will gladly do anything to help these proposals go through and if you need any petitions I will gladly canvass my friends to get them. I am thinking as every American should, and I am neither a Communist, Fascist, or any other "ist" just because I believe we should have that land for safety sake. I believe we should also try to get the Bermudas even though they do not fall in the Caribbean.

I am not much of a letter writer, but I do believe in putting my sentiments on paper for such a worthy cause, and while you are in the Senate I pray that you will not give up the fight to get these proposals to a head. I'll be rooting for you, and as stated above please do not hesitate to write if you need any petitions. And don't forget to vote two ships for the other's one.

E. LISK,

308 Harding Avenue, Clifton, N. J.

LOS ANGELES, CALIF., June 18, 1939.

HON. ERNEST LUNDEEN,

Senator, United States Senate, Washington, D. C.

HONORABLE SIR: I was pleased indeed to read the Associated Press report of your interest in the purchase of Bermuda by the United States.

Several years ago I had a conversation with an officer of a foreign country, and his statements at that time led me to believe that sometime his country would seize Jamaica, Bermuda, and Nassau.

I trust that you will introduce a bill in Congress at an early date for the purpose of creating a committee that start at once the negotiations for the purchase of the above islands. The island of Jamaica would make the best naval base as well as base for military planes that is possible to find. I took that matter or point up with Rear Admiral Hepburn. He agreed with me as to the military value of this island. He doubted that England would apply the debt or consider the debt in the purchase.

England is seeking the help of the United States, and there is no better time than now to get action. Every one of the above islands

could be made to pay commercially, and for military purpose there is no question as to value.

Until the United States owns the above islands there will always be danger of them falling into the hands of some enemy of this country. To be brief, I trust that you get a bill before this Congress for their purchase. Every real American will stand up and cheer for you.

I will be pleased to give you any information that I can as to these islands as I have been on all of them. Will be glad to hear from you.

Very truly,

A. LINCOLN CHASE.

BROOKLYN, N. Y., July 24, 1939.

Senator LUNDEEN,

United States Senate, Washington, D. C.

DEAR MR. LUNDEEN: I read in this evening's New York Journal American your proposal for the acquisition of all foreign-owned islands and other lands in the Atlantic and Pacific in South and Central America. I agree with you and I am sure that a hundred million other Americans do. I agree, too, that the acquisition should be speeded up so as to make way to add all this land to our chain of national defense of the United States as well as being closer to guard over the South and Central America governments and the defense of the Panama.

With the present method of aggression which does not declare but just breaks in by carefully carried out secret plans as can be seen all over the world. Therefore we need plenty of outposts in our Western Hemisphere to prepare. It will be the places that are unguarded that will be attacked and least expected of attack. Not to say the commercial value of these islands for air service and tourists.

I say, act now.

Sincerely yours,

JOHN J. McKEOGH.

P. S.—We will probably never be paid. These lands would be part payment. Let the French and English pay the Dutch for Dutch Guiana. It shouldn't cost us anything except our debt.

[From the Washington Evening Star of July 31, 1939]

CANAL AUTHORITIES APPREHENSIVE OF PACIFIC ATTACK—GALAPAGOS, COCOS ISLANDS BELIEVED ESSENTIAL FOR DEFENSE

(By Alice Rogers Hager)

PANAMA CITY, C. Z., July 31.—Grave concern as to the safety of the Panama Canal, from the Pacific side, in the event of any general war in which the United States would be involved is being expressed here as a result of lack of support in Washington for the Lundeen bill to lease the Galapagos and Cocos Islands, off the Panamanian coast.

The consensus here in the Canal Zone paints a graphic and startling picture of the sudden damage to the locks and canal power-control points that could be achieved in the event of a surprise attack from the west, with the consequent severing of this American lifeline.

"The dawn attack" has become an obsession down here. On the east Nature has provided the long chain of islands of the West Indian group and preparations are now being made to fortify enough bases there to make it virtually impossible for an enemy fleet or its planes to attack the Canal. But nothing stands between Asia and the Pacific end of the Canal and the entire west coast of North and South America except Hawaii, and Hawaii could be isolated or simply neglected by an enemy fleet steaming along the Equator.

COULD STRIKE SUDDENLY

In an ocean the size of the Pacific such a fleet could move secretly toward Panama, bring its aircraft carriers and supporting ships within the short distance of 500 miles under cover of darkness, and, at the proper moment, launch its planes with their deadly burdens so that they would be in striking position over the Canal at dawn before the American forces had any warning of their approach.

To offset this danger, bills have been introduced in Congress that would authorize the leasing of bases on the only land in the entire Pacific adjacent to the Canal, and also at appropriate points within a 1,000-mile range to the north and south in Central and South America. This would give a protecting range of 1,000 miles in all three directions, with intersecting patrol areas that would automatically prevent any surprise attacks. The ideal locations for such land bases would be along the coasts of the countries to the north and south of the Canal at the correct distances, and for seaplane bases and radio stations in the Galapagos and Cocos groups.

With the present feeling of cordial cooperation between the Central and South American nations and the United States, observers here say that the institution of such bases would be welcomed by the governments in question as an additional protection to themselves. It is felt by those in authority in the Canal Zone that outlying bases in the Pacific, similar to those in the Atlantic, are absolutely necessary to the Canal's safety.

Lack of support for the plan is thought here to be due to a misconception. In following out its good-neighbor policy, the administration is believed to feel that any move to attempt to fortify territory adjacent to the Canal, even on a purely lease basis, would be offensive to members of the Lima conference. The policy itself and the general moves to make it effective are applauded locally, but, in this instance, it is generally disagreed with.

As against this Washington view, there is cited here the recent close fraternization between the heads of countries close to the Canal and the United States Army officers stationed here. Gen. David Stone, commanding general of the Canal Department, in particular, is credited with having done an extraordinarily fine job in promoting better understanding. He has been repeatedly invited to come to Central American capitals as an honored guest by their presidents, and has in return entertained their high officers in Panama.

NO FEAR OF LAND ATTACKS

The announcement by Colombia a few days ago that she would prevent by force of arms, if necessary, any attack on the Canal through her territory, and the subsequent practical application of action in requiring Scadta, the German-owned airline, to reorganize, with Colombians at its head, are attributed to an interchange of visits between the two armies.

In comparison to the real worry that it was generally known the Army felt concerning the proximity of German flying so near the Canal, General Stone told this writer that now there is nothing to be feared from land attacks. "The neighboring countries," he said, "are as one in their friendliness and concern for the safety of what they realize to be their own lifeline as well as ours. They know how great their own danger would be if the Canal were to be seized by any enemy from either the east or the west. And they also realize that the aim of the United States is not war, but the protection of a peaceful artery of world trade."

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Calloway, one of its reading clerks, announced that the House had passed a bill (H. R. 5138) to make unlawful attempts to interfere with the discipline of the Army, the Navy, and the Coast Guard; to require the deportation of certain classes of aliens; to require the fingerprinting of aliens seeking to enter the United States; and for other purposes, in which it requested the concurrence of the Senate.

ENROLLED BILLS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the President pro tempore:

S. 188. An act to provide for the administration of the United States courts, and for other purposes; and

S. 1558. An act to provide for the acceptance of an easement with respect to certain lands in New Mexico, and for other purposes.

HOUSE BILL REFERRED

The bill (H. R. 5138) to make unlawful attempts to interfere with the discipline of the Army, the Navy, and the Coast Guard; to require the deportation of certain classes of aliens; to require the fingerprinting of aliens seeking to enter the United States; and for other purposes, was read twice by its title and referred to the Committee on the Judiciary.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries.

AMENDMENT OF CIVIL SERVICE RETIREMENT ACT—CONFERENCE REPORT

Mr. NEELY submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House of Representatives to the bill (S. 281) to amend further the Civil Service Retirement Act approved May 29, 1930, as amended, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House of Representatives and agree to an amendment as follows: In lieu of the matter proposed to be inserted by the House amendment insert: "That section 3 of the Act of May 29, 1930, as amended, is amended by striking out all of that portion thereof beginning with paragraph (g) and continuing to the end of the section and inserting in lieu thereof the following:

"(g) This Act shall not apply to such employees of the Light-house Service as come within the provisions of section 6 of the Act of June 20, 1918, entitled 'An Act to authorize aids to navigation and for other works in the Lighthouse Service, and for other purposes', nor to members of the police and fire departments of the municipal government of the District of Columbia, nor to such employees or groups of employees as may have been before the effective date of this Act excluded by Executive orders from the benefits of the Act of May 22, 1920, and amendments thereof."

"(h) The provisions of this Act may be extended by Executive order, upon recommendation of the Civil Service Commission, to apply to any employee or group of employees in the civil service of the United States not included at the time of its passage. The President shall have power, in his discretion, to exclude from the operation of this Act any employee or group of employees in the civil service whose tenure of office or employment is intermittent or of uncertain duration.

"(i) Any officer or employee to whom the Act of July 13, 1937 (Public, Numbered 206, Seventy-fifth Congress, first session), applies who has failed to exercise the option provided thereby to come within the terms of the Retirement Act of May 29, 1930, as amended, may exercise such option within six months from the effective date of this Act."

"Sec. 2. Strike out all of section 4 of the Act of May 29, 1930, as amended, and insert in lieu thereof the following, so that this section shall read:

"(a) The annuity of an employee retired under the provisions of the preceding sections of this Act shall be a life annuity, terminable upon the death of the annuitant and shall be composed of (1) a sum equal to \$30 for each year of service not exceeding thirty: *Provided*, That such portion of the annuity shall not exceed three-fourths of the average annual basic salary, pay, or compensation received by the employee during any five consecutive years of allowable service at the option of the employee; nor shall such portion be less than an amount equal to the employee's purchasable annuity as provided in (2) hereof; and (2) the amount of annuity purchasable with the sum to the credit of the employee's individual account as provided in section 12 (a) hereof, together with interest at 4 per centum per annum compounded on June 30 of each year, according to the experience of the civil-service retirement and disability fund as may from time to time be set forth in tables of annuity values by the Board of Actuaries.

"(b) The total annuity paid shall in no case be less than an amount equal to the average annual basic salary, pay, or compensation, not to exceed \$1,600 per annum, received by the employee during any five consecutive years of allowable service at the option of the employee, multiplied by the number of years of service, not exceeding thirty years, and divided by forty.

"(c) Any employee at the time of his retirement may elect to receive, in lieu of the life annuity herein described, an increased annuity of equivalent value which shall carry with it a proviso that no unexpended part of the principal upon the annuitant's death shall be returned.

"(d) Any employee retiring under the provisions of section 1 of this Act may at the time of his retirement elect to receive in lieu of the life annuity described herein a reduced annuity payable to him during his life, and an annuity after his death payable to his beneficiary, duly designated in writing and filed with the Civil Service Commission at the time of his retirement, during the life of such beneficiary (a) equal to or (b) 50 per centum of such reduced annuity and upon the death of such surviving beneficiary all payments shall cease and no further annuity shall be due or payable. The amounts of the two annuities shall be such that their combined actuarial value on the date of retirement as determined by the Civil Service Commission shall be the same as the actuarial value of the single life increased annuity with forfeiture provided by this section: *Provided*, That no election in lieu of the life annuity provided herein shall become effective in case an employee dies within thirty days after the effective date of retirement, and in the event of such death within this period, such death shall be considered as a death in active service.

"(e) For the purpose of this Act all periods of service shall be computed in accordance with section 5 hereof, and the annuity shall be fixed at the nearest multiple of twelve.

"(f) The term 'basic salary, pay, or compensation,' wherever used in this Act, shall be so construed as to exclude from the operation of the Act all bonuses, allowances, overtime pay, or salary, pay, or compensation given in addition to the base pay of the position as fixed by law or regulation."

"Sec. 3. Section 6 of the Act of May 29, 1930, as amended, is hereby amended as follows:

"(a) At the end of the first paragraph add the following: 'The time limitation for execution of claims for retirement under the terms of this section may be waived by the Civil Service Commission in cases of employees who at the date of separation from service or within six months thereafter, are adjudged mentally incompetent, but the application in such cases must be filed with the Civil Service Commission within one year from the date of restoration of any such person to competency or the appointment of a fiduciary whichever is the earlier. In the case of any such person heretofore separated from service application may be filed within one year after the effective date of this Act.'

"(b) The second paragraph of section 6 of such Act of May 29, 1930, as amended, is amended by striking out the words 'ninety days from the date of the medical examination showing such recovery' and inserting in lieu thereof the following: 'one year from the date of the medical examination showing such recovery'."

"Sec. 4. The following paragraph shall be inserted after the first paragraph of section 10 of the Act of May 29, 1930, as amended:

"Any employee may at his option and under such regulations as may be prescribed by the Civil Service Commission deposit additional sums in multiples of \$25 but not to exceed 10 per centum per annum of his annual basic salary, pay, or compensation, for service

rendered since August 1, 1920, which amount together with interest thereon at 3 per centum per annum compounded as of June 30 of each year, shall, at the date of his retirement, be available to purchase, as he shall elect and in accordance with such rules and regulations as may be prescribed by the Civil Service Commission with the approval of the Board of Actuaries, in addition to the annuity provided by this Act, an annuity according to the experience of the civil-service retirement and disability fund as may from time to time be set forth in tables of annuity values by the Board of Actuaries based on an interest rate of 4 per centum. In the event of death or separation from the service of such employee before becoming eligible for retirement on annuity, the total amount so deposited with interest at 3 per centum per annum compounded on June 30 of each year shall be refunded in accordance with the provisions of section 12 of this Act."

"Sec. 5. This Act shall take effect January 1, 1940."

And the House agree to the same.

M. M. NEELY,
W. J. BULOW,
LYNN J. FRAZIER,
Managers on the part of the Senate.
ROBERT RAMSPECK,
JENNINGS RANDOLPH,
EDITH NOURSE ROGERS,
Managers on the part of the House.

The report was agreed to.

PROGRAM FOR FINANCING RECOVERABLE EXPENDITURES

The Senate resumed the consideration of the bill (S. 2864) to provide for the financing of a program of recoverable expenditures, and for other purposes.

Mr. BROWN. Mr. President, I have an amendment on the desk which I should like to have stated.

The PRESIDING OFFICER. The amendment will be stated by the clerk for the information of the Senate.

The CHIEF CLERK. On page 17, line 25, before the period, it is proposed to insert a colon and the following:

Provided, That such loan shall be made on an amortization basis by means of fixed annual or semiannual installments, or, if such basis be deemed unsuited to the loan, on some other basis, which shall require payment of a substantial portion of the principal and the entire accrued interest each year during the life of the loan; except that the agency may, if it deems it advisable, waive the requirement for principal payment during the construction period of the project.

Mr. BARKLEY. Mr. President, I will say to the Senator from Michigan that I have no objection to that amendment. It carries out the real purpose by making provision for annual payments in an amount sufficient to amortize the loan during the period. I have no objection.

Mr. BROWN. Mr. President, if there is no objection to the amendment, I do not desire to be heard on it; but if there is any objection, I will be very glad to explain it.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Michigan [Mr. BROWN].

The amendment was agreed to.

Mr. PEPPER. Mr. President, I have an amendment at the desk which I should like to have read.

The PRESIDENT pro tempore. The amendment will be stated.

The CHIEF CLERK. On page 4, line 17, after the word "Act", it is proposed to insert a comma and the following: "and except that loans from such sum shall be made available to corporations and other organizations, organized and operated exclusively for charitable, scientific, educational, or hospital purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual, to the same extent and upon the same terms and conditions that such loans are made available to municipalities and other public bodies."

Mr. PEPPER. Mr. President, I will state that the purpose of this amendment is to make it possible for educational institutions which are nonprofit corporations, which are dedicated entirely to educational purposes, and which provide no profit to any shareholder or interested individual or corporation, to make loans from the P. W. A. fund that is provided by this bill.

I have in mind a specific case that makes me interested in it personally, that of the University of Miami, in Miami,

Fla. That institution is supported to the extent of 15 percent of its revenue from public taxation, and the remainder of its revenue is derived from donations by interested persons and from the revenues that come into the school from its student body.

Heretofore that institution, however worthy its need or however sound its credit may have been, has not been eligible to get the benefit of P. W. A. loans, and for the obvious reason that 45 percent of the money was being given to the institution and naturally the Federal Government did not want to establish the precedent of making a donation to any applicant which was not a public borrower.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. PEPPER. May I finish the sentence, and then I shall be glad to yield.

Mr. President, under this bill there is no money being given away. This is entirely money that is loaned. I see no reason, therefore, why such an institution might not be eligible for a loan; yet, under the language of this P. W. A. amendment, it is provided that only those can make loans under this section who could have made loans under the P. W. A. Since there is a difference in the character of the old P. W. A. loans and these loans, I thought that the Congress would be willing to make a difference in eligibility.

Mr. BARKLEY. Mr. President—

Mr. PEPPER. I am glad to yield.

Mr. BARKLEY. The bill, as written, provides for the Public Works Administration "\$350,000,000 for loans for projects of the character heretofore authorized to be financed by loan or grant, or both, by the Federal Emergency Administration of Public Works under title II of the National Industrial Recovery Act."

Under title II of that act, provision is made for any projects of the character heretofore constructed or carried on either by public authority or public aid, to serve the interests of the general public. In subsection (a) of section 201 of the Emergency Relief Appropriation Act, as amended, in paragraph 3 it is provided that such subsection shall, for such purpose, be held to include loans for the construction or completion of hospitals, the construction of which is partly financed from public funds.

So it seems to me that the Senator's proposition is already covered in the pending act, by reference to the provisions in the National Industrial Recovery Act of 1933. If the Senator's amendment covers any other such projects, I doubt very seriously whether the pending act ought to be expanded to that extent.

Mr. PEPPER. Mr. President, I know that heretofore the institution to which I have referred has been forbidden to make any loans, on the ground that only a small part of its revenue was derived from public taxation.

Mr. BARKLEY. They were denied grants, but they were permitted to make loans. They probably did not accept the loan because they were denied, under the law, the right to obtain grants.

Mr. PEPPER. If that is the interpretation the majority leader places upon this, very well.

Mr. BARKLEY. The amendment would just be repeating what is already in the law.

Mr. PEPPER. Mr. President, if you will allow me, I shall discuss two or three other subjects.

The PRESIDENT pro tempore. Does the Senator withdraw the motion?

Mr. PEPPER. Yes; I withdraw it. Mr. President, may I send to the desk another amendment.

The PRESIDENT pro tempore. Very well.

The CHIEF CLERK. It is proposed to add at the proper place the following:

Sec. —. Section 5d of the Reconstruction Finance Corporation Act, as amended, is amended by inserting after the first sentence thereof the following new sentence: "The Corporation is further authorized and empowered, under such terms, conditions, and restrictions as the Corporation may determine, to make loans to port districts to aid in refunding or refinancing indebtedness heretofore or hereafter incurred in connection with the improvement or maintenance of a port or harbor."

Mr. PEPPER. Mr. President, that amendment is for the purpose of making it possible for loans to be made by the Reconstruction Finance Corporation to port districts. I am satisfied that under existing law such authority does not now exist. I am sure Senators know there are in this country a good many port districts which have been established by local interests and that later, perhaps, the port development has been taken over by the Federal Government and has been maintained by the Federal Government; but, despite the fact that the Federal Government took over the port district and maintained it, a large obligation was left upon the local interests. In Fort Pierce, Fla., we have a very glaring example of such a situation. The people were anxious to establish a harbor to serve not only the East Coast but the whole central section of Florida. The port authority, consisting of only about 1,100 people, undertook the task of creating a port district, and spent two or three million dollars in the construction of a deep-water development. Subsequent to that time, the Federal Government took over the port, and the Federal Government has been maintaining it. The port authority has been in very serious need of some refinancing ability.

All this amendment would do would be to make it possible for the port district to apply to the Reconstruction Finance Corporation and to submit its case, and, if it showed a good case, to make a loan or to be eligible to receive a loan.

I see no objection that anyone can have to including this applicant in the list of those eligible for Reconstruction Finance Corporation loans.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. PEPPER. I yield.

Mr. BYRD. I think the Reconstruction Finance Corporation already has that authority.

Mr. BARKLEY. Mr. President, the Reconstruction Finance Corporation has the authority, and even the P. W. A. has the authority, to make loans to port districts for construction of any improvements they may wish to make, but they have no authority to make loans to refinance old debts that have not been paid.

With all due respect to my friend the Senator from Florida, I do not think that either the Reconstruction Finance Corporation or the P. W. A. should be given authority in this bill, which is designed to bring about the employment of unemployed in this country, to go down into the Treasury of the United States to refund existing local debts. We have never authorized any agency to do that, with respect to any city, county, or State. The whole theory of this legislation, P. W. A. or W. P. A., and of all these activities, has been to give employment to idle men during this emergency.

Mr. President, we do not give employment to idle men by paying off an old city debt or an old port debt or any old debt that has been incurred by a local subdivision or by a State. It seems to me that if we start along such lines we shall be going beyond the purposes of this bill and beyond sound finance.

Mr. PEPPER. Mr. President, I wish to say to the Senator from Kentucky that I propose to offer as an additional amendment the one involving the question whether or not the Reconstruction Finance Corporation shall have authority to refinance the outstanding indebtedness of political subdivisions. In a moment I shall discuss that subject in its larger view.

I was not altogether clear in my statement, or the Senator from Virginia [Mr. BYRD] would have understood that I referred to the refinancing of the outstanding indebtedness of port districts, and not new construction.

Mr. President, I should like to ask if the Senator from Virginia thinks the Reconstruction Finance Corporation would have that authority?

Mr. BYRD. Mr. President, the Reconstruction Finance Corporation has authority to buy the obligations of any State, county, or city, on a self-liquidating basis; but that is under the authority of section 5 (b)—what is known as the Glass amendment; and that applies only to the construction of a project.

I read from a letter I received from the R. F. C.:

Answering your question No. 4:

The Reconstruction Finance Corporation's unusual authority to issue additional obligations can provide funds, when the conditions of the Reconstruction Finance Corporation Act are complied with, for non-Federal public works of a self-liquidating nature.

Mr. PEPPER. But, Mr. President, I call the attention of the Senator from Kentucky to the following facts.

Mr. BYRD. It says they do not have to be new projects; it may be any obligations.

Mr. PEPPER. For the benefit of the Senator from Kentucky, I call attention to the language to which the Senator from Virginia has referred. The Senator construes a letter which was written to him by the R. F. C., and which appears on page 10040 of the Record, in the following language:

Answering your question No. 4:

The Reconstruction Finance Corporation's unused authority to issue additional obligations can provide funds, when the conditions of the Reconstruction Finance Corporation Act are complied with, for non-Federal public works of a self-liquidating nature.

Of course, as I think the Senator will agree, this is not a self-liquidating project, because it has already been constructed, and the Army has taken it over and is operating it. But the district still has the burden of the outstanding obligation, so it would be the obligation of the district that the taker of the securities would be getting.

Mr. BARKLEY. I am sure the paragraph referred to relates to section 5 (d) of the Reconstruction Finance Corporation Act, which provides:

Sec. 5d. For the purpose of maintaining and promoting the economic stability of the country or encouraging the employment of labor the Corporation is authorized and empowered, under such terms, conditions, and restrictions as the Corporation may determine, to make loans to, or contracts with, States, municipalities, and political subdivisions of States, with public agencies and instrumentalities of one or more States, municipalities, and political subdivisions of States, and with public corporations, boards, and commissions, to aid in financing projects authorized under Federal, State, or municipal law.

So that it is limited to loans to aid in the financing of projects; and I do not believe that the repayment of outstanding existing debts, either of a State, city, county, or other political subdivision, or of any other public body, was contemplated by Congress when it enacted the statute, because that would not be a project.

Mr. PEPPER. I arrived at the same decision at which the leader arrives, and I rather wish that he and I were wrong and the Senator from Virginia were correct; but I was not clear, and for that reason I wanted the Senate to give consideration to the amendment.

In answer to the statement made by the Senator from Kentucky, I call attention now to a political subdivision which has an outstanding indebtedness that is more than it can pay. There is just one of two things that district can do: It can either go into bankruptcy, which is possible, I think, under the existing Municipal Bankruptcy Act, or its taxpayers can continue to struggle under a burden of tax which they are not able to bear without impeding the development of the community.

Mr. BONE. Mr. President, will the Senator yield?

Mr. PEPPER. I yield.

Mr. BONE. I assume this would be a refunding operation.

Mr. PEPPER. That is all.

Mr. BONE. In other words, the district would issue new bonds and, from the proceeds, take up the old?

Mr. PEPPER. Exactly. This is the way it works out in practice. Under the existing municipal bankruptcy law it is possible, in the case of a political subdivision—and I hope that when we pass an amendment now on the Senate Calendar it will be possible in the case of some additional political subdivisions, for example, a county—if it does have a burden of debt which it cannot reasonably pay, for 51 percent of its outstanding creditors to come into court and file a plan of composition. Then the Federal court will have jurisdiction of the application. The Federal court may then entertain a proposed plan of composition, which, of course, always contemplates a reduction of the outstanding indebted-

ness of the political subdivision. After full examination of that plan of composition, if 66⅔ percent of the affected bondholders or creditors approve of the plan of composition, and the Federal court finds it is a fair plan of composition, the Federal court has authority to put the plan of composition into effect.

In that way it is possible for political subdivisions to discharge outstanding indebtedness that is more than they can reasonably and practically pay. Yet the whole matter is handled in a court of competent jurisdiction, and 51 percent of the creditors are required to make application before the court will have jurisdiction, and 66⅔ percent are required to give their approval before the court can act.

The PRESIDENT pro tempore. The time of the Senator on the amendment has expired.

Mr. PEPPER. Mr. President, I hope it will be agreeable to allow these people to at least apply to the R. F. C.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Florida [Mr. PEPPER].

The amendment was rejected.

Mr. PEPPER. Mr. President, I have another amendment to offer, which I send to the desk.

The PRESIDENT pro tempore. The clerk will state the amendment.

The CHIEF CLERK. It is proposed to add at the end of the bill the following new section:

Sec. —. The first sentence of section 5d of the Reconstruction Finance Corporation Act, as amended, is further amended by inserting after the words "to aid in financing projects authorized under Federal, State, or municipal law", a comma and the following: "or to aid in refunding or refinancing indebtedness heretofore or hereafter incurred."

Mr. PEPPER. Mr. President, this amendment, if agreed to, would make possible the refinancing of the outstanding indebtedness of political subdivisions. The amendment is broad enough to include any kind of special tax, school or road district, also to include a county obligation or a municipal obligation.

A few minutes ago the Senator from Kentucky pointed out that the authority to make these loans under the R. F. C. would not aid in the construction of projects. I differ with the Senator from Kentucky, because I know from personal experience in my State that there are a great many municipalities in this country which have reached the limit of their capacity to put up their part of the payment for a W. P. A. project. I know that there are cities in my State which are already pledging their delinquent-tax certificates in order to get the money to put up their share of W. P. A. projects in that State. In one of the cities that is in that situation financially there are over 5,000 unemployed people within its limits trying to get jobs. I went with the mayor of that city to the R. F. C., and the mayor of the city begged, almost on bended knees, for the privilege of borrowing enough money on their delinquent-tax certificates to get some money with which to meet the cost of the W. P. A. projects.

If we can reduce the amount of the outstanding indebtedness of a municipality or of a county, if they get themselves in better condition financially than they otherwise would have been, they then would be in position to contribute to the construction of W. P. A. projects, and in that very direct way to aid in the construction of projects which would give jobs to unemployed in this country.

Mr. KING. Mr. President, will the Senator yield?

Mr. PEPPER. I yield.

Mr. KING. Does the amendment which the Senator offers bail out a number of persons who are not claiming the benefit of the bankruptcy measure which we have had before the committee and which is now on the calendar? Is not the Senator trying to take advantage of cities—

Mr. PEPPER. Not necessarily, Mr. President.

Mr. KING. And have the funds provided for in this bill utilized to pay the indebtedness of some of the bankrupt cities in the Senator's State?

Mr. PEPPER. No. Let me tell how this would work out. In my State the Everglades Drainage District embraces

about 12 or 14 different counties. It has an outstanding indebtedness of something like twelve or fourteen million dollars. It cannot possibly pay that debt. No private lender is going to lend money to that district, no bank can afford to lend money to it. But the R. F. C. has said to the district, since they are eligible by specific provision of law to apply to the R. F. C., "We will lend you as much as 40 cents on the dollar of your outstanding indebtedness." That does not contemplate municipal bankruptcy, or anything else of the kind.

If the creditors of that district will be agreeable to take 40 cents on the dollar, then the creditors get their money, the district gets out from under a debt which it could not possibly pay otherwise, the taxpayers get out from under a burden that is more than they can bear, and the district progresses, making new improvements, spending money, giving jobs. That is an instance of the beneficent exercise of the power of the R. F. C., and I see no reason why a political subdivision cannot at least apply to the R. F. C. and have its case judged and the facts and circumstances all considered, just as drainage districts can apply. I know that the R. F. C. has saved my State from bankruptcy by making it possible for drainage districts to apply to the R. F. C. and get help from it.

Mr. KING. I am sure it has not saved it from bankruptcy, because representations were made before the Committee on the Judiciary a short time ago. There were very large sums of which the taxpayers were seeking to escape the payment, and we were considering a bill to enable them to take advantage of the Bankruptcy Act.

Mr. PEPPER. The plan of composition authorized under the Bankruptcy Act contemplates that the creditors will be paid off. If the court says that a plan of composition is fair, if 66 2/3 percent of the creditors of the political subdivision agree to it, in the presence of the court, and the district wants to apply to the R. F. C. to get the cash to pay off its outstanding obligations and put money into the hands of the creditors and get the district in a better financial condition, who is hurt?

Mr. KING. The Senator, then, desires to extend the power which the R. F. C. now has?

Mr. PEPPER. Yes.

Mr. KING. As I understood the Senator, application had been made to the R. F. C., and the R. F. C. was willing to extend credit to the extent of 40 percent.

Mr. PEPPER. I was using that as an analogy. Under the existing law drainage districts can apply to the R. F. C., and I was using it as an illustration of the beneficence of the law we passed 2 or 3 years ago. I am asking now that other political subdivisions may have the same privilege drainage districts have to file applications with the R. F. C.

Mr. KING. Mr. President, without desiring to take the Senator's time, I will say that I think the views expressed by our leader with respect to not extending the authority of these organizations should be adhered to, and I shall vote against the present suggestion or any other suggestion to expand and increase this authority. I shall follow our leader.

Mr. PEPPER. I do not see how the amendment will do any harm. It seems to me it is one of the most beneficent things we can do, because, after all, we are trying to help the people of the country. If we can do something which will help the taxpayers of a given city or county, without the Government losing anything, why should any objection be made? So I hope the amendment will be adopted.

The PRESIDENT pro tempore. The question is on agreeing to the amendment of the Senator from Florida [Mr. PEPPER].

The amendment was rejected.

Mr. PEPPER. I offer another amendment which I ask to have stated.

The PRESIDENT pro tempore. The amendment will be stated.

The LEGISLATIVE CLERK. At the end of the bill it is proposed to insert the following new section:

Sec. —. Section 5d of the Reconstruction Finance Corporation Act, as amended, is amended by inserting after the first sentence

thereof the following new sentence: "The Corporation is further authorized and empowered, under such terms, conditions, and restrictions as the Corporation may determine, to make loans to public-school districts or other public bodies authorized to incur indebtedness for public-school purposes, to aid in refunding or refinancing indebtedness heretofore or hereafter incurred for public-school purposes."

Mr. PEPPER. Mr. President, Senator Robinson and I, before his lamentable death, were the joint authors of an amendment which proposed exactly what is proposed by this amendment, that is to say, to vest in the R. F. C. the power and authority to receive applications from public-school political subdivisions for the purpose of refinancing their outstanding indebtednesses or obligations. If Senators are not willing to extend these powers to all political subdivisions, it seems to me they would be willing to extend them to political subdivisions which are responsible for the public-school systems of this country. I know there is not a Senator in this Chamber in whose State there is not some public-school district which is laboring under a burden of outstanding indebtedness issued for some worthy purpose in connection with education, which it cannot properly pay, and every one of those districts is looking for some method of relief so that it can reduce the obligation of the taxpayer, the burden of the taxpayer's debt, and at the same time put itself in such a fiscal condition as to render better school service to the people of the community and section.

So I cannot see why anyone should object to giving to school districts the same privileges that already have been given to drainage districts. Are school districts and public education less deserving of consideration than drainage districts or drainage objectives? These privileges were extended to drainage districts, 3 or 4 years ago, and all over the country drainage districts have obtained the benefit of the R. F. C. help and assistance. Now I propose that public-school political subdivisions shall have authority to come before the R. F. C. and explain their situation, and offer it good security in order that they may be able to borrow enough money so as to make it possible for them to refund or refinance their outstanding public obligations. So while the Senator may oppose extension of the R. F. C. authority in the other cases I have enumerated, I hope he will not oppose it in the case of the school districts, which, as we know, all over the country are laboring under burdens of debt which in many cases are more than they can properly bear.

I wish the Senator from Kentucky would give his attention to that matter.

Mr. BARKLEY. Mr. President, the Senator is now seeking to have the Federal Government bail out school districts which have gone into debt heretofore.

Mr. PEPPER. That is the purpose of the Senator from Florida, but is it not a worthy purpose?

Mr. BARKLEY. It may be a worthy purpose, but the theory of the pending legislation is to provide jobs and we do not give anyone a job by simply paying an old school debt which was entered into before the P. W. A., or the W. P. A., or C. C. C., or "I. P. Q." [laughter] were ever formed.

Mr. PEPPER. Mr. President, if it would reduce the outstanding indebtedness of school districts and reduce the burdens of the taxpayers, I ask whether that would not provide substantial help?

Mr. BARKLEY. Oh, it would help the taxpayer, but it would not give a human being a job, which is the objective of the proposed legislation.

Mr. PEPPER. If my proposal makes for better financial conditions, would it not help the people in the school district?

Mr. BARKLEY. Yes; but the help is so indirect. The help would be by way of payment of old debts which have been made 10 or 15 years ago. The purpose would not be to start a project or to relieve unemployment. The possibility that the payment of an old debt like that may indirectly give some men jobs is very remote.

Mr. PEPPER. Is the Senator aware of the fact that the R. F. C. has made loans to drainage districts to refinance their outstanding obligations?

Mr. BARKLEY. Yes. That was for the purpose of making them able to reclaim lands which they are not able to sell, so that farmers can continue to own and use the property in the interest of agriculture and the development of land. In those cases debts are owed by individual farmers to drainage districts. The Senator's proposal is entirely different. I would not vote for any amendment which would authorize the R. F. C. to loan money to a State, or county, or city, or political subdivision to pay old debts which were created prior to the establishment of the R. F. C.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Florida [Mr. PEPPER].

Mr. PEPPER. I ask for a yea-and-nay vote on the amendment.

The yeas and nays were not ordered.

The amendment was rejected.

INVESTIGATION OF NEGOTIATIONS BY AMERICAN CITIZENS WITH MEXICAN GOVERNMENT CONCERNING OIL SALES

Mr. NEELY. Mr. President, I present a resolution and request that it be read for the information of the Senate.

The PRESIDENT pro tempore. The resolution will be read.

The Chief Clerk read the resolution (S. Res. 174), as follows:

Whereas various editorials and news articles have been published in the daily press from time to time concerning the activities of certain American citizens with the Mexican Government in connection with the sale, barter, or exchange of Mexican oil; and

Whereas, due to the expropriation of certain American-owned oil properties by the Mexican Government, such activities of American citizens are of vital importance to the American public and to the Government of the United States; and

Whereas it has been intimated that such activities might be construed to be a violation of the Criminal Code: Therefore be it

Resolved, That a special committee of three Senators, to be appointed by the President of the Senate, is authorized and directed to make a full and complete investigation of any and all negotiations carried on by citizens of the United States with the Mexican Government, or any official thereof, in connection with the sale, barter, or exchange of oil produced on American-owned property expropriated by the Mexican Government, with a view to determining whether such editorials, news articles, or other statements made in connection with such negotiations are true and whether any criminal statute has been violated. The committee shall report to the Senate as soon as practicable after the commencement of the next regular session of the Seventy-sixth Congress the results of its investigation, together with its recommendations, if any, for necessary legislation.

For the purposes of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold hearings, to sit and act at such times and places during the sessions, recesses, and adjourned periods of the Seventy-sixth Congress, to employ clerical and other assistance, to require by subpoena, or otherwise, the attendance of such witnesses and the production of such correspondence, books, papers, and documents; to make such investigations, to administer such oaths, to take such testimony, and to incur such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the committee, which shall not exceed \$25,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman of the committee.

Mr. NEELY. Mr. President, in behalf of prompt action I request that the resolution be referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

Mr. BRIDGES. Mr. President, I did not understand to which committee the Senator requested the resolution to be sent.

Mr. NEELY. To the Committee to Audit and Control the Contingent Expenses of the Senate.

The PRESIDENT pro tempore. Let the Chair state the parliamentary situation. The resolution deals with a substantive matter, and should be first referred to a committee having charge of substantive matters of that nature. It should be referred to such a committee.

Mr. NEELY. Mr. President, in response to the observation of the Chair, I request that the resolution be appropriately referred.

The PRESIDENT pro tempore. It would ordinarily go to the Foreign Relations Committee first, and then to the Committee to Audit and Control the Contingent Expenses of the Senate, and, without objection, it is so referred.

Mr. GUFFEY. Mr. President, I sincerely hope when the resolution submitted by the Senator from West Virginia comes to a vote it will be adopted. I assure my colleagues in the Senate that I have nothing to conceal, and I want the fullest and most complete investigation it is possible to make in connection with this matter.

THE SITUATION IN THE FAR EAST

Mr. SCHWELLENBACH. Mr. President, I ask the majority leader whether or not it is expected that the Senate will be in session on Wednesday?

Mr. BARKLEY. Yes; so far as I now know the Senate will be in session on Wednesday. A considerable amount of business has piled up on us during the consideration of the pending bill; and at this time I cannot foresee a recess over Wednesday.

Mr. SCHWELLENBACH. In view of the statement of the Senator from Kentucky, I wish to give notice at this time that when the Senate convenes on Wednesday, or as soon thereafter as I may be able to obtain the floor, I shall discuss the far-eastern situation, and will appreciate the opportunity of obtaining the floor at that time.

PROGRAM FOR FINANCING RECOVERABLE EXPENDITURES

The Senate resumed the consideration of the bill (S. 2864) to provide for the financing of a program of recoverable expenditures; and for other purposes.

Mr. BARKLEY. Mr. President, I send to the desk an amendment which I ask to have stated.

The PRESIDENT pro tempore. The amendment offered by the Senator from Kentucky will be stated.

The CHIEF CLERK. At the end of the bill it is proposed to add the following new section:

SEC. 21. The third proviso of the third sentence of the third paragraph of section 5 of the Reconstruction Finance Corporation Act, as amended, is hereby further amended by striking out "\$350,000,000" and inserting in lieu thereof "\$500,000,000."

Mr. BARKLEY. Mr. President, I wish to explain the amendment. It has no relation to the pending bill. It amends the Reconstruction Finance Corporation Act, which provides a limitation of \$350,000,000 for making loans to railroads for all purposes.

The Reconstruction Finance Corporation has left only \$80,000,000 of the \$350,000,000. The amendment is offered after conferring with Mr. Jones and others connected with the Reconstruction Finance Corporation, the lending agency of which he was the head until recently. I am advised that this extra authorization is needed. It does not increase the total authorization of loans made by the Reconstruction Finance Corporation. It does not increase the borrowing power of the Reconstruction Finance Corporation in any respect. It merely authorizes it to use another \$150,000,000 in addition to the \$350,000,000 which it now has the authority to loan to railroads for general purposes.

I have consulted the Senator from Montana [Mr. WHEELER], who offered the motion the other day to strike out the provision for railway loans on equipment; and he has no objection to the increase of this amount. I have also conferred with the chairman of the committee, with the Senator from Ohio [Mr. TAFT], and also with the Senator from Vermont [Mr. AUSTIN], and others who I thought might be interested.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. BYRD. What is the present limit on the authority of the Reconstruction Finance Corporation in making loans to railroads?

Mr. BARKLEY. Three hundred and fifty million dollars.

Mr. BYRD. I have before me a list which has just been received from the Reconstruction Finance Corporation showing that loans to the extent of \$763,000,000 have been made to the railroads; and out of the \$763,000,000, \$215,000,000 has been repaid.

Mr. BARKLEY. I will say to the Senator that some of those loans were made before Congress inserted the limitation of \$350,000,000 now carried in the law.

Mr. BYRD. What is the total? This report from the Reconstruction Finance Corporation is dated July 15, 1939.

Mr. BARKLEY. I have not seen the report. I will say that out of the \$350,000,000 limitation which Congress inserted in the law after loans had been made to the railroads under the general authority the Reconstruction Finance Corporation has loaned all except \$80,000,000. It has a backlog of only \$80,000,000 left for loans under this limitation.

Mr. BYRD. Am I to understand from the Senator that the amendment has no effect upon the action of the Senate in connection with the amendment offered by the Senator from Montana [Mr. WHEELER]?

Mr. BARKLEY. None whatever. The amendment only amends the original Reconstruction Finance Corporation Act by lifting the ceiling for railroad loans within its general authority and within its borrowing and lending power.

Mr. TRUMAN. Mr. President, the Senator from Kentucky is correct.

The PRESIDING OFFICER (Mr. LA FOLLETTE in the chair). The question is on agreeing to the amendment offered by the Senator from Kentucky [Mr. BARKLEY].

Mr. TAFT. Mr. President, the proviso now reads that the total amount of loans and commitments to railroads, receivers, and trustees, and for purchases and guaranties of obligations of railroads under this paragraph, as amended, shall not exceed at any one time \$350,000,000, in addition to the loans and commitments made prior to the date of the enactment of the act. That is the provision which is to be raised to \$500,000,000.

Mr. BARKLEY. That is correct.

Mr. TAFT. Under that provision the Reconstruction Finance Corporation may loan not only on equipment trust certificates but on the general bonds of railroads.

Mr. BARKLEY. It may make the same type of loans it is now making, and has made.

Mr. TAFT. Mr. President, it seems to me that apart from the question of method, not only does the amendment propose to increase the amount of loans which may be made to railroads on equipment trust certificates, the other method of approaching which was voted down, but also the Reconstruction Finance Corporation may make loans to railroads which are not even as good as equipment trust loans, in greater amount.

Mr. BARKLEY. The mere fact that the section authorizing new loans and leasing arrangements under the machinery proposed to be set up was stricken out had no effect whatever upon the authority of the Reconstruction Finance Corporation to make the kind of loans it has been making. The argument was made in behalf of the elimination of that provision of the bill that the Reconstruction Finance Corporation could now make such loans; that it could borrow the money and make the loans just as it has been doing, and that the proposed section was unnecessary. All the amendment does it to raise the amount, within the total limitation which the Reconstruction Finance Corporation can use for the making of the same sort of loans hereafter.

Mr. TAFT. Raising the \$350,000,000 does not in any way raise the total borrowing power of the Reconstruction Finance Corporation?

Mr. BARKLEY. It does not. It has no effect on it whatever.

Mr. KING. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. KING. I ask the Senator from Kentucky whether or not the vote of the Senate the other day was an expression adverse to giving the Reconstruction Finance Corporation the right to extend further credit?

Mr. BARKLEY. No. I will say to the Senator from Utah that the main objection to the provision of the bill the other day, as urged by the Senator from Montana and other Senators, was that it might put the Reconstruction Finance Corporation into the equipment business. Those who objected to that section of the bill thought it might authorize the Reconstruction Finance Corporation to go out and buy old equipment, referred to as junk, and to make leases, which it does not have the power to do today;

and the argument was made that under the present law the Reconstruction Finance Corporation has the authority to make all the loans necessary for equipment, provided the money is available.

This amendment merely gives the Reconstruction Finance Corporation an additional sum to make the same sort of loans it has been making; and there is nothing inconsistent between that principle and the position taken by the Senate in striking out the provision for leases, purchases, and so forth.

Mr. KING. One further question: Did the information which the Senator has received confirm the view that the Government is justified in making additional loans by reason of the precarious condition of the railroads, in view of the possibility that the Government might not be paid back the loans which were advanced?

Mr. BARKLEY. I will say to the Senator that so far as I am personally concerned the information I have received through the channels of the Reconstruction Finance Corporation convinces me that the additional authority would be properly exercised and would not involve the Government in any dangerous extension of its loans to railroads.

Mr. KING. I regret very much that it is felt necessary to increase the authority; and I shall vote against the amendment.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Kentucky.

The amendment was agreed to.

Mr. BARKLEY. Mr. President, I send to the desk another amendment, which I ask to have stated.

The PRESIDENT pro tempore. The amendment offered by the Senator from Kentucky will be stated.

The CHIEF CLERK. At the end of the bill it is proposed to insert a new section, to read as follows:

SEC. —. (a) Section 5 (d) of the Reconstruction Finance Corporation Act, as amended, is hereby further amended by deleting the words "June 30, 1939," from the second paragraph thereof wherever they appear and substituting therefor the words "June 30, 1941."

(b) Section 3 of the act approved January 31, 1935 (49 Stat., ch. 2, pp. 1-2), is hereby amended by deleting from the first sentence thereof "January 31, 1945," and substituting therefor the words "January 31, 1935."

Mr. BARKLEY. Mr. President, there are two amendments in one. When the Glass-Steagall Act was passed authorizing more liberal loans to small business there was some uncertainty, and there is now some uncertainty, as to whether it was possible to continue to make such loans beyond June 30, 1939. The Reconstruction Finance Corporation has assumed that it could do so, but in order to clear up the uncertainty the amendment merely provides for June 30, 1941, instead of June 30, 1939.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. BYRD. Is the Senator speaking of the Reconstruction Finance Corporation authority?

Mr. BARKLEY. I am speaking of the Reconstruction Finance Corporation authority.

As to the other amendment, under the law as it now is maturities for loans of the Reconstruction Finance Corporation may not extend beyond June 30, 1945. In view of the existing situation it is felt that the time ought to be extended 10 years, to June 30, 1955, so that it may make loans with maturities up to that time.

Those two amendments are amendments of the existing Reconstruction Finance Corporation Act and do not in any way affect the bill or the amendments thereto.

Mr. BYRD. The Senator does not wish the Reconstruction Finance Corporation to expire on July 1, 1941?

Mr. BARKLEY. That is correct.

Mr. BYRD. The Senator proposes to extend—

Mr. BARKLEY. But that does not affect the length of the maturities. Even under the present law the Reconstruction Finance Corporation may make loans up to 1945. However, in view of the provisions in the bill providing for the furnishing of funds to R. E. A. and to the P. W. A.,

and the additional funds which may be available to railroads, it is felt that the maturity date ought to be extended so that the Reconstruction Finance Corporation will not have to engage altogether in short-term loans.

Mr. KING. Mr. President, in the light of the confused conditions economically as well as industrially and politically, it seems to me it is unwise to grant the extension called for by the amendment. If in the next 2 or 3 years, and before the termination of the life of the Reconstruction Finance Corporation, the situation becomes so imperative as to call for an extension of the maturity period, application may be made to Congress, and I am sure Congress will take the necessary steps. As I said, it seems to me that in view of the confused economic and political situation today in our own country as well as throughout the world we ought not to make commitments so far in the future. I am very much opposed to the amendment.

Mr. BARKLEY. I will say to the Senator that under the present limitations, even if the Reconstruction Finance Corporation made loans to railroads for equipment and took equipment bonds and trusts, it could make such loans for only 6 years, whereas the whole discussion the other day with respect to this matter was to the effect that it ought to be permitted to make loans over the period which might comprehend the life of the equipment itself; so the Government would not lose anything. This other extension is necessary in order that the R. F. C. may provide for longer loans under the authority of the act under which it is now operating and under the authority which it will have under the pending bill.

Mr. KING. I still adhere to the view which I have expressed. The arguments made a few days ago, when the railroad-equipment amendment was before the Senate, would not be applicable.

Mr. BARKLEY. If the Senator will yield, I will say that before the report was made on this bill the committee adopted these two amendments. The R. F. C. also had one or two others about which there was some confusion, and, in order to straighten out all of them, I withdrew the entire list of amendments; but these two amendments now pending were adopted unanimously by the committee while it had the bill under consideration.

Mr. KING. That merely indicates that the committee is not infallible. I think it made a mistake, and I think it would make a mistake if we reaffirmed the position which the committee then took.

Mr. TAFT. Mr. President, the amendments were not given very serious thought in the committee; they were presented at the very last moment on the last day. But I wish to ask the Senator from Kentucky, the author of the amendment, why the R. F. C. came to the Congress and had several provisions extended earlier in the session. I do not understand why they did not ask at that time to have this provision about loaning to municipalities extended that is now sought to be extended. Is there any reason why? Did they intend heretofore to give up that power and allow it to expire?

Mr. BARKLEY. That situation was somewhat analogous to the one in the first part of the amendment. They thought they were asking and obtaining the extensions referred to, but since the expiration of the fiscal year on June 30, 1939, there has arisen a doubt as to whether the act which Congress passed did actually extend the time.

This is simply to clear up that uncertainty and provide what they thought they were getting when these amendments were offered.

Mr. TAFT. I see no reason why they should not have applied for it before. They probably could have gotten it earlier in the session.

Mr. BARKLEY. That they did not do so is no reason why the amendment should be rejected now.

The PRESIDENT pro tempore. The question is on the amendment offered by the Senator from Kentucky [Mr. BARKLEY].

The amendment was agreed to.

Mr. BONE. Mr. President, I have tendered an amendment, which is on the clerk's desk, dealing with the matter of veterans' preferences. I should like to have it read from the desk.

The PRESIDENT pro tempore. The amendment will be stated.

The CHIEF CLERK. At the end of the bill it is proposed to insert the following new section:

SEC. . That section 16 (b) of Public Resolution No. 24, approved June 30, 1939, be amended by inserting after the words "excepting veterans," the following words: "the wives of unemployed veterans, and the widows of veterans."

Mr. BONE. Mr. President, this amendment has to do with the relief act passed heretofore during the session. It deals with the necessity for removing from employment on works projects various kinds and certain types of relief workers. There is an exception in the case of veterans. This amendment is intended to extend that exception to wives of unemployed veterans who may be unemployed and to the widows of veterans. It does not affect the act but is an attempt to extend to widows of veterans who may be in that category, or the wives of unemployed veterans, the preference we have given to veterans themselves. I think it is a logical amendment, because if a veteran himself is entitled to a preference and is sick, is flat on his back and not able to work and is otherwise qualified, there is no reason why his wife should not enjoy that preference which is intended to affect the veteran's family. If we give the veteran a preference, obviously if he is unemployed, broke, and hungry his wife, if she is able to work, might well enjoy that preference and be the beneficiary of the advantages that we have given to the war veteran.

I submitted this amendment to a number of Senators, including the senior Senator from Connecticut [Mr. MALONEY], the junior Senator from Connecticut [Mr. DANAHER], and the Senator from South Dakota, who expressed some interest in it. I think it can be adopted without doing violence to anything we have done before.

Mr. MALONEY rose.

Mr. BONE. Mr. President, I will say to the Senator from Connecticut I have offered and had read and am asking for a vote on an amendment dealing with the exemptions to veterans which I showed to the Senator 2 or 3 days ago.

Mr. MALONEY. Mr. President, will the Senator yield to me?

Mr. BONE. I have concluded.

Mr. MALONEY. Mr. President, I am very hopeful the Senate will adopt this amendment. I think it would be a great shame to permit an exemption to veterans and then deny the same exemption to the widows of veterans. There are not many of them, and the need is certainly much greater in the case of a widow. I hope there will be no objection to the amendment. It is a very worthy and important amendment.

Mr. BONE. I will say to the Senate that probably merely a handful of people, comparatively, are involved in this amendment, but it has seemed to me the part of justice, and I think the suggestion ought to meet the approval of the Senate.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Washington [Mr. BONE].

The amendment was agreed to.

Mr. DANAHER. Mr. President, I have an amendment, which I submit and ask the Chair to cause to be stated.

The PRESIDENT pro tempore. The amendment will be stated.

The CHIEF CLERK. On page 4, line 17, it is proposed to insert the following proviso:

Provided, That no loan shall be made in excess of \$10,000,000 for any such project.

Mr. DANAHER. Mr. President, this particular amendment applies to the P. W. A. situation. It would impose a limitation upon the amount of the taxpayers' contingent liability which could be allocated to a given project. Since

there are a good many projects of the character heretofore authorized to be financed by loans or grants or both, as described in section 4, subsection 2, on page 4, it seems to me that there should be some limitation on the extent of the authorization which we are turning over to a bureau. Because of its desirability the amendment, which was discussed, by the way in the committee, with the assurance at that time that further thought and consideration would be given to the matter, I feel that this is the proper time to take it up. It is self-evident in its purpose and aims, and requires no further explanation. I hope the amendment will prevail, and I hope the Senator from Kentucky will give us assurance that it will be adopted.

Mr. BARKLEY. Mr. President, I do not see any need for fixing a limitation on the amount that may be loaned for any project. I do not know whether there would be any projects involving \$10,000,000, but assuming that the city of Chicago might want to borrow money to help construct a subway—a project which, I understand, they are considering—the adoption of the amendment might make it impossible for the city of Chicago to proceed in that way.

It might also be that the city of New York, for instance, in order to perfect its street and highway systems, might want to build a bridge across the Hudson River or the East River or somewhere else, and the adoption of the amendment might make it impossible for that kind of a transaction to be financed.

I do not know whether or not any \$10,000,000 project will be approved, but certainly if a municipality is in a position to make such an improvement as I have described, and desires to make application for it on its merit, it seems to me it should have the right to do so, without being prevented by inserting such a limitation as now proposed.

I am not interested in any such project; my State is not interested, and will not be, and probably most of the other States of the Union are not interested; but there are communities that may be able to finance, in whole or in part, a project that might reach this limitation. If so, I do not see why the P. W. A. authorities should be handicapped in making loans of that character.

I am not speaking for any of these communities, but certainly the authority heretofore granted the P. W. A. has never been abused, and, under this smaller available expenditure for loans only, no grants being involved, certainly we cannot expect that it will be abused in the future.

Mr. DANAHER. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. DANAHER. I concede the accuracy of the Senator's statement, for, so far as I know, there has never previously been any abuse by P. W. A., but we have a brand new Administrator and will not be operating on a 45-percent equity which the State or municipality itself puts up. Quite to the contrary, there will be a 100-percent loan, and the net result will be that someone in an office in Washington, if he chooses, may allocate the whole hundred million dollars, or the whole \$350,000,000, to one project.

Mr. BARKLEY. Oh, no.

Mr. DANAHER. I know it is absurd; I know it is ridiculous to think of it.

Mr. BARKLEY. I was going to say that.

Mr. DANAHER. There is no reason in the world, though, why the Administrator could not allocate \$50,000,000 of the people's money if there were no restriction on its use.

Mr. BARKLEY. Of course, the Senator knows, as he said, that that sort of payment would be ridiculous; he beat me to it in saying so, but, nevertheless, that does not justify us in assuming, now that we are only making loans and no grants, now that we have only \$350,000,000 available for loans instead of \$1,400,000,000, or \$800,000,000, as has been carried in previous appropriations, the Administrator is going to run wild and make loans of ten or fifteen or twenty million dollars or of the entire \$350,000,000. These will be the same type of loans that have been made up to now. If the city of Chicago or the city of New York or some other city desired to make a loan to enable it to improve its subway-transportation facilities,

I do not see why it should not have the right to make application and let the Administrator determine whether it would be wise.

Mr. WAGNER. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. WAGNER. As a matter of fact, there have been some very worth-while projects which cost more than \$10,000,000 upon which applications for loans were granted. The Tri-Borough Bridge is one; the midtown tunnel is another; the bridge in California which has become such a notable improvement is another. There have been many very desirable projects which, in fact, have been so good that the R. F. C. no longer holds the loan, but it has been sold to the public.

Mr. BARKLEY. It made the loan, took the obligations, the work was done, and the obligations were sold to the public.

Mr. WAGNER. The obligations were sold to the public, and in the meantime men were employed and material was purchased in different sections of the country which benefited business tremendously.

Mr. DANAHER. Mr. President, will the Senator yield?

Mr. WAGNER. I am not the one to yield, as I have not the floor.

Mr. BARKLEY. I yield.

Mr. DANAHER. The distinguished Senators who have been occupying the floor have been entertaining me with such a number of instances that I should like to ask if it is not true that there have been a 45-percent grant and a 55-percent equity held by the borrowing agencies in each of those instances.

Mr. WAGNER. I know that the California loan was a straight loan. If the Senator from Kentucky will permit me, I shall inform the Senator from Connecticut that loans have been made up to \$400,000,000, as to many of which, such as the California project, which, I think, was a \$60,000,000 loan, the bonds have been sold to the public. The loans originally made by the Federal agency were so successful that only forty millions of bonds remained with the R. F. C. The remainder, \$350,000,000 worth, have been sold to the public and gladly purchased, at a premium, too, to the Reconstruction Finance Corporation.

However, Mr. President, if I may conclude, I should like to state that under this amendment, several of those projects could not, without Government aid, have been started, and under this amendment Government aid could not have been given.

Mr. DANAHER. Mr. President, the situation previously obtaining under the law is not the situation here. Under this set-up we are going to authorize the Reconstruction Finance Corporation to transfer to this Corporation or to the P. W. A., upon the direction of the President, the amount of money to be allocated. There is the situation which confronts us. It seems to me the Congress should have something to say about the limitation of the amount of contingent liability that the Government is undertaking.

The PRESIDENT pro tempore. The question is on the amendment offered by the Senator from Connecticut [Mr. DANAHER].

The amendment was rejected.

Mr. PEPPER. Mr. President, I offer an amendment, which I send to the desk.

The PRESIDENT pro tempore. The amendment will be stated.

The CHIEF CLERK. At the proper place in the bill it is proposed to insert the following:

Subparagraph (a) of section 25 of the Emergency Relief Appropriation Act of 1939 is hereby repealed.

Mr. PEPPER. Mr. President, the purpose of this amendment is to remove one of the greatest injustices that I think was ever perpetrated by this body. That was the addition, in conference, of the provision prohibiting the Federal theater projects as part of the Works Progress Administration program. What this amendment proposes is to make the Federal theatrical projects as eligible for funds

from the W. P. A. as any other projects. This amendment does not give the Federal theater projects a preferred place, and neither does it put them in a position of ineligibility for any W. P. A. funds. Before any W. P. A. funds could be used for the theaters they would have to be sponsored locally, and 25 percent of the State funds, of course, as the bill now provides, would have to be made available to the W. P. A. In other words, it would not be possible for the W. P. A. to sponsor its own theater projects or to proceed on its own initiative with the theater projects, as was possible before the present provision was enacted.

Mr. President, I realize that the Senator from West Virginia [Mr. Holt] and others had some criticism which they conscientiously urged, believing certain things to be unwholesome and not in the public interest, in connection with the theater projects of the W. P. A. I think I am prepared to say to the Senator from West Virginia and a few others interested in the subject that if the Federal theaters are permitted to operate in the future, as the music projects and the arts projects and the other projects of that character are permitted to operate, with local sponsorship, with the local people putting up the same proportion of the theater projects' costs as for the music projects' costs, and the like, there will be a different management of the theater projects in the future. In other words, I know that that splendid lady, Mrs. Flanagan, who has heretofore headed the theater projects, believes so conscientiously in the projects and in the merits of the program to be willing to sacrifice her personal desire to be associated with it, and even the personal remuneration that she has derived from it, and will completely detach herself from it, in order that the program, which has done so much good in this country, may have an opportunity to operate in the future.

Mr. President, I have here a statement made in 1937 by Lt. Eugene M. McGillicuddy, of the juvenile aid bureau of the crime prevention bureau of the New York City Police Department. He said:

I have found that crime prevention and art are very closely related. For proper guidance and education, we have sent many thousands of our children to see Works Progress Administration Federal Theater productions. We feel it has done a lot for them. Taking a child once to a real theater play did more good for him than taking him 100 times to the movies. Movies do not stimulate the child's imagination in the way your productions do. It is my opinion that 75 percent of the 15,000 children a week handled by us did not know that such a thing as the real theater existed. * * * Many delinquents or potential delinquents can be reached through athletics. But some children cannot be reached through these sports. It is the theater or the parks which have an appeal for that type of child. Thanks to the W. P. A. art program, the opportunity to indulge his creative instincts has been afforded this class of child. Without the aid of the W. P. A. and its arts program the Police Athletic League could not function. We haven't the funds.

In addition to that, I should like to read a list of the sponsoring organizations of the various theater projects over the country—263 social clubs and organizations, 264 welfare and civic organizations, 271 educational organizations, 95 religious organizations, 21 organizations from business and industry, 16 mass organizations, 66 trade-unions, 82 professional unions, 17 costumers' unions, 29 fraternal organizations, and 15 political organizations.

Mr. President, the Federal theater has not only produced the greatest number of religious plays ever presented by any producing group in the country, but it has also undertaken a wide variety of original research productions in the field of religious drama.

The productions have included such distinguished presentations as the American premiere of Eliot's *Murder in the Cathedral*, in New York; *Sierra's Holy Night*, in Chicago; *Hauptman's Bethlehem*, in Maine; *Lavery's Monsignor's Hour*, in New Orleans; *Obey's Noah*, in Los Angeles and Seattle; *Bach's Within These Walls*, in Chicago and New Orleans; *O'Neill's Days Without End*, in Denver; *Lavery's First Legion*, in San Francisco, as well as the annual cycles of Christmas miracle and morality plays which have been performed from coast to coast, on the steps of churches,

libraries, public buildings, and even from the platforms of trucks, which have taken the Christmas story from one block to another in much the same fashion the strolling players of old went from place to place.

Particularly significant of the work of the Federal theater in religious drama is the unsolicited comment of the *Catholic Herald of London*, which declared in a recent review of the theater's record:

In such a plan as the American one seems to lie a real national theater serving both a living culture and a living people, representing no one group and no one class either artistically or politically—a people's theater in fact.

I should like to have permission to read into the RECORD a list of the authors whose plays have been performed, and while there were a few plays that were referred to by the able Senator from West Virginia, I will say that some of the plays which were criticized as objectionable were given before the program came under national supervision and control. But in the list of plays given will be found some of the best dramas available in the world of culture today. The question of whether they were given creditably or not by the performers is attested by the attendance that was enjoyed wherever the performances were given.

Do the Members of the Senate realize that the real story of the plays produced by Federal theater has not been told them? Do they realize that Federal theater has produced an extensive religious cycle of early nativity and miracle plays; that it has produced a great classical series, including plays by Euripides, Plautus, Marlowe, Shakespeare, Beaumont and Fletcher, Lope de Vega, Moliere, Sherrin, Goldsmith, Schiller, Labiche, Ibsen, Wilde, Tolstoy, Chekov, Dion Boucicault, Shaw, and O'Neill?

Does the Senate realize that the majority of plays by Federal theater are those of accredited and successful dramatists? Since one of the Senators on this floor dragged up and ridiculed a dozen plays out of the entire 1,200—plays done on small projects, before there was national control of the projects—I insist on writing into the RECORD at least a partial list of American dramatists who have been proud to have their plays done by Federal theater.

This list includes George Abbot, George Ade, Zoe Akins, Maxwell Anderson, Anthony Armstrong, Frank Bacon, Fred Ballard, Philip Barry, Emjo Basshe, Lewis Beach, David Belasco, Michael Blankfort, Guy Bolton, Ann Preston Bridges, George H. Broadhurst, Porter Emerson Brown, Charlotte Chorpennin, George M. Cohan, Octavus Roy Cohen, E. P. Conkle, Marc Connelly, Barry Connors, Frank Craven, Rachel Crothers, Owen Davis, Paul Lawrence Dunbar, Philip Dunning, Frank B. Elser, John Emerson, Edna Ferber, Clyde Fitch, Martin Flavin, Rose Franken, Zona Gale, Virgil Geddies, William Gillette, Susan Glaspell, Montague Glass, James Gleason, Michael Gold, Paul Green, Harry Wagstaff Gribble, James Hagan, Theresa Helburn, Lillian Hellman, James A. Herne, Avery Hopwood, Sidney Howard, Hatcher Hughes, Talbot Jennings, Larry E. Johnson, George Kaufman, Patrick Kearney, George Kelly, Charles Rann Kennedy, Sidney Kingsley, Charles Klein, Alfred Kreyenberg, Lawrence Langner, Ring Lardner, Emmet Lavery, John Howard Lawson, Sinclair Lewis, Anita Loos, Constance D'Arcy Mackaye, Elizabeth McFadden, Albert Maltz, Max Marcin, Don Marquis, Alan Landon Martin, Margaret Mayo, Edna St. Vincent Millay, John Moffet, James Montgomery, Christopher Morley, Kenyon Nicholson, J. C. Nugent, Clifford Odets, Eugene O'Neill, Paul Osborne, John Howard Payne, Paul Peters, Channing Pollock, Robert H. Powell, William W. Pratt, Samson Raphaelson, Daniel Reed, Mark Reed, Elmer Rice, Lynn Riggs, Mary Roberts Rinehart, George Scarborough, Edgar Selwyn, Irwin Shaw, Robert Sherwood, George Sklar, Winchell Smith, Samuel and Bella Spewack, Wilbur Daniel Steele, James A. Sterne, Donald Ogden Stewart, Austin Strong, Barry and Leona Stavis, Booth Tarkington, Sophia Treadwell, Bayard Veiller, Lula Vollmer, James Warwick, John Wesley, Percival Wilde, Thornton Wilder.

This list should be sufficient to indicate the wide diversity and high standards of subject matter of the plays produced.

In the New York theater project, which was referred to, there were four plays about to be given when the Federal theater project was forced to close down. These plays were chosen by the school boards of over 100 high schools in the United States and were booked continuously through next year. These plays consisted of the Taming of the Shrew, The Rivals, R. U. R., and Cyrano de Bergerac.

Mr. President, I might go on and give references to statements showing the recognition which has been given to the merit and the virtue of the Federal theater program. There is no possibility of longer being any Communists, if there ever were, in the Federal theater program, because we have an airtight provision in the law that every person who receives benefits from the W. P. A. must take an oath that he supports and adheres to and believes in the institutions which are characteristic of America. I submit that if the lady who has headed this program, Miss Flanagan, has been in the past an impediment to the preservation of that great work, she has already offered to get out voluntarily and completely dissociate herself from that program, and let it be reorganized and revised in such a way that it will be absolutely above question by the most critical and exacting Member of the Congress.

Why can we prefer orchestras and let them be sponsored locally and receive W. P. A. contributions, and yet not sponsor the theater? Why can we let people locally sponsor an arts program, and yet not let people locally sponsor a theater program? Does the American Congress propose to castigate, as the only unworthy class of American artists, the people who are dedicated to the theater?

I see sitting before me the able Senators from Alabama and South Carolina, who I happen to know have illustrious nieces who are pursuing careers on the stage. Are they to be punished because there might heretofore have been someone in the program who was not satisfactory according to someone's critical judgment? Are all the others of the 7,000 performers to be criticized as unworthy to the traditions of America, and is it to be said that they cannot under any local sponsorship or in any possible case enjoy with any aid whatsoever from the Federal Government work of the kind they have chosen as their life's vocation?

Let us not condemn a class wrongfully. If a barrel has some rotten apples in it, get the rotten apples out of the barrel. If there is a rotten apple on top of the barrel, get it off. I say that Miss Flanagan has done a wonderful job as supervisor of this theatrical program. I cannot agree with the very able Senator from West Virginia in his criticism; but I do not criticize him for making the criticism. He has a perfect right to have that view about the matter. Other Members of Congress have the same right. But because this lady might happen to be objectionable, are 7,000 who have no other work to do to be deprived of getting a W. P. A. job if the project is sponsored by local communities, the way the music and arts programs are sponsored? I say it is unworthy to castigate as noble a class as there is in the country as unworthy of their Government's consideration, and I know that on reflection, and upon assurance that there will be given a new attitude and a new point of view, new scrutiny, if I may say so, to this program, the Senate will be fair enough to submit this amendment back to the conference and let the House say again, in view of these assurances, whether they would not be willing to let the communities of America sponsor theater projects the way they can sponsor other projects which may be made a part of the Works Projects Administration program.

Mr. BARKLEY. Mr. President, I wish to make a statement with reference to the amendment. I appreciate the interest of the Senator from Florida in the theater situation. I admire his tenacity and ability in presenting it, or in presenting anything else he espouses. But this is the situation. If we are trying to put onto this bill a correction of everything someone thinks has been a mistake in legislation enacted heretofore, we not only will not recognize the bill

when it is passed, but we will not get any legislation of any sort, even on the subject about which we are legislating.

The Senate adopted an amendment continuing the theater project, and I voted for it when it was before us in connection with the relief bill. It went to conference, the House would not accept it, and I know of no reason why it should be thought the House has changed its mind and would accept it on this bill, when it would not on the other. The conference report was presented, and the Senate agreed to the conference report with the amendment stricken out.

We had before us a few days ago the prevailing-wage provision, and because the Senate did not desire to incorporate it in the pending bill, because it would complicate the situation, and perhaps we would get neither the prevailing wage nor the measure now pending, that amendment was defeated.

The amendment the Senator has offered can be offered in connection with any other legislation, as well as in connection with the pending legislation, and I hope the Senator from Florida, with all his enthusiasm, and ability, and determination, and stick-to-it-iveness on any proposition, will not urge the amendment on this bill.

I sympathize with the situation which confronts the actors and artists of the country, and I voted for the provision when it was before us on a previous occasion, and I do not wish to foreclose myself as to how I would vote in the future; but I am sympathetic. I regret that it was eliminated; but it was eliminated by the action of the Congress, and I do not believe a measure like that now pending should be used as a kind of omnibus vehicle upon which to attach other things which have been rejected heretofore. For that reason I hope the amendment will not be agreed to.

Mr. PEPPER. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. PEPPER. Under the rules would it be possible, or would the Senator think it inappropriate, if this amendment were withdrawn now, that it might be offered upon the deficiency bill when it comes along? It is directly related to providing jobs.

Mr. BARKLEY. It depends. It would probably be subject to a point of order, and the Senator of course could move that the rule be suspended, and if he could obtain a two-thirds vote to suspend the rule, if the point of order were made, he could make it in order on the bill. My recollection is that when the matter was up before it was adopted by an overwhelming vote.

Mr. PEPPER. Our leader has been very magnanimous about this matter, and while, of course, I do not want to bind the Senator, if I may deduce from his favorable attitude that he would not be one of the most belligerent opponents of the amendment if it is presented in connection with another measure, I will gladly acquiesce in his suggestion that the amendment be withdrawn.

The PRESIDING OFFICER (Mr. LEE in the chair). The amendment is withdrawn.

Mr. BURKE. Mr. President, I offer an amendment which I send to the desk.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. It is proposed to strike out lines 16 to 25, inclusive, on page 13, and to insert "shall become available for such purposes as and when appropriated by Congress"; and on page 18, at the end of line 9, to strike out the period and insert a comma and the words, "and the specific sums named in the act respectively for the various agencies administering the act, but no money shall be expended hereunder without appropriation by Congress."

Mr. BURKE. Mr. President, I shall explain in a very few words the purpose of the amendment.

When money is received in the United States Treasury, coming from whatever source or raised in whatever manner it may be, that money shall not find its way out of the United States Treasury until Congress has made the necessary appropriation to take it out.

We have before us a bill to provide, we are told, a sound method of financing. We are all familiar with the method that is proposed. The corporation specified in the bill is

authorized to issue bonds, to sell them to the public, and to deposit all of the proceeds in the Treasury of the United States, just as any money raised by taxation or any other money finds its way into the Treasury.

This measure then provides a different method for getting the money out of the Treasury. Through all our history the appropriation bodies of the House and the Senate have had to act before a single dollar could be taken out of the Treasury, and action has had to be concurred in by a majority of both houses of Congress.

That has been the American way of getting money out of the Treasury. But we have here proposed a new method.

The Treasurer of the United States is hereby authorized and directed to receive such moneys and hold the same * * * and * * * upon the direction of the President, shall order to such special disbursing accounts with said Treasurer as the Secretary of the Treasury shall designate.

The purpose of the amendment, as I have explained, is to provide that when this money gets into the Treasury it can be taken out only in the normal American way, and that is accomplished by the two parts of the amendment offered. First, on page 13, section 11 now reads:

The departments, administrations, and agencies for which funds shall be provided by the Corporation pursuant to this act may use such funds for the purpose of carrying out their respective functions under this act and such funds shall remain available for such purposes until expended.

All the remainder of that section is eliminated, so that if the amendment shall be adopted, the section will read:

The departments, administrations, and agencies for which funds shall be provided by the Corporation pursuant to this act may use such funds for the purpose of carrying out their respective functions under this act, and such funds shall become available for such purposes as and when appropriated by Congress.

Then, proceeding to the other part of the amendment, on page 18, line 9, section 19 now reads:

There is hereby authorized to be appropriated from time to time such sums as may be necessary for administrative expenses in carrying out the provisions of this act.

I insert this provision:

And the specific sums named in the act respectively for the various agencies administering the act, but no money shall be expended hereunder without appropriation by Congress.

I do not wish to enlarge upon this point, but, with the provision covered by the two parts of the amendment inserted in the bill, I believe it would be possible for many who must otherwise oppose the measure to give their support to it. I earnestly urge the serious consideration of the amendment.

Mr. BARKLEY. Mr. President, I have no doubt that any Member of the Senate who is opposed to the bill could with great consistency support it if the amendment of the Senator from Nebraska should be adopted, because we might as well strike out all after the enacting clause as to adopt the Senator's amendment.

What does the amendment provide? In the bill as it was first presented to the committee there was a provision for the use of a revolving fund. It was proposed that when loans made by various organizations, such as the Rural Electrification Administration, the Farm Security Administration, the Public Works Administration, were repaid, they shall be placed in a revolving fund. The committee refused to include that provision. So an amendment was adopted which stated:

The departments, administrations, and agencies for which funds shall be provided by the Corporation pursuant to this act may use such funds for the purpose—

And so on—
until expended.

In other words, there is \$350,000,000 available for P. W. A. They may use that until it is absorbed, but after it is repaid they cannot use another dollar of it to make new loans. It goes back into the Treasury. The Rural Electrification Administration was authorized to lend \$500,000,000 to farm cooperatives to establish rural-electrification facilities, and it is available until expended. That is not money which is

going out of the Treasury. It is money that has been obtained by the Reconstruction Finance Corporation through the sale of bonds to the public. The same thing is true with respect to the Farm Security Administration, the R. E. A., and the P. W. A.

Let us suppose that projects are approved under the Public Works Program amounting to \$200,000,000. The Reconstruction Finance Corporation sells bonds to obtain that \$200,000,000 to turn over to the P. W. A. to make these loans. Under the amendment offered by the Senator from Nebraska not a project could be begun until Congress next year some time, after we come back in January, appropriates the money for that specific purpose. The Senator from Nebraska is an intelligent and able man, and he understands all the implications of his amendment.

If the Farm Security Administration desired to lend \$100,000,000, or \$50,000,000, or any part of the \$600,000,000 for farm tenancy or for rural rehabilitation, it could go to the Reconstruction Finance Corporation, with the approval of the President, and say, "We have applications for loans amounting to \$100,000,000. We may have some more later, but we have applications for \$100,000,000 now." The R. F. C. could sell its bonds to enable these new loans to be made, if the amendment of the Senator from Nebraska were not adopted. But under the amendment of the Senator from Nebraska they could not lend a dime. The entire R. E. A. program would be stopped until Congress came back here and made an appropriation, not out of money put into the Treasury by taxes, but out of money obtained by the R. F. C. through sale of bonds to the public. Not a single cooperative in the United States could get a dollar until then.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. BARKLEY. I have only 5 minutes. I hope the Senator will not ask me to yield. If I have any time when I get through, I shall be glad to yield.

The same situation applies to the Public Works Administration. They may have enough projects already approved to absorb all the \$350,000,000. The R. F. C. may sell bonds in order to obtain the money for the benefit of the Public Works Administration. Under the Senator's amendment, however, not a project could go forward until Congress should meet again and appropriate money for each individual project. If Senators want to destroy the effect of the bill, let them vote for the amendment of the Senator from Nebraska. If Senators are opposed to the bill, let them vote against it on the roll call when it is put on its final passage, but do not kill it in an indirect way by adopting this amendment, because that is what they would do.

On page 18 of the bill we provide that the administrative expenses, as is the case now as to all these agencies, shall under the authorization be appropriated by Congress. But in order that the Senator from Nebraska might make sure that his amendment would destroy the effect of the bill, he has gone over to the last page, where we provide for the appropriation of administration expenses, and added language which would make it impossible not only for the administrative expenses to be paid under the language of the bill, but for any of these agencies to spend a dollar on any specific project unless that project were brought here on the floor, threshed out in Congress, approved, and the appropriation made, not out of funds raised by taxation and put into the Treasury, but through the sale of bonds made under the jurisdiction of the Reconstruction Finance Corporation.

Mr. President, the amendment should not be adopted, and I hope it will be defeated.

Mr. GERRY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll. The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Bridges	Clark, Mo.	Gibson
Andrews	Brown	Connally	Gillette
Austin	Bulow	Danaher	Guffey
Bailey	Burke	Davis	Gurney
Bankhead	Byrd	Downey	Hale
Barkley	Byrnes	Ellender	Harrison
Bilbo	Capper	Frazier	Hatch
Bone	Chavez	George	Hayden
Borah	Clark, Idaho	Gerry	Herring

Hill	McCarran	Pittman	Taft
Holman	McKellar	Radcliffe	Thomas, Okla.
Holt	Maloney	Reed	Thomas, Utah
Hughes	Mead	Russell	Townsend
Johnson, Calif.	Miller	Schwartz	Truman
Johnson, Colo.	Minton	Schwellenbach	Tydings
King	Murray	Sheppard	Vandenberg
La Follette	Neely	Shipstead	Van Nuys
Lee	Norris	Slattery	Wagner
Lodge	Nye	Smathers	Walsh
Lucas	O'Mahoney	Smith	Wheeler
Lundeen	Pepper	Stewart	White

The PRESIDING OFFICER. Eighty-four Senators having answered to their names, a quorum is present.

The question is on the amendment of the Senator from Nebraska [Mr. BURKE].

Mr. TAFT obtained the floor.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. BYRD. In a colloquy several days ago in respect to the amendment offered by the Senator from—

Mr. TAFT. I thought the Senator wished to ask a question. I yield for a question.

Mr. BYRD. I just want to insert a matter into the RECORD, if the Senator will yield for a moment.

Mr. TAFT. I do not want to yield the floor, and I can speak only once on this matter. I regret I cannot yield to the Senator without yielding the floor.

Mr. BYRD. Very well.

Mr. TAFT. Mr. President, it seems to me the interpretation put on the amendment by the Senator from Kentucky is hardly justified. As I would read the amendment of the Senator from Nebraska—and if I am mistaken I wish he would correct me—it simply means that there must be an appropriation act to cover the appropriations for the year 1940. The R. E. A., for instance, always has had \$40,000,000 appropriated per year, and the amendment provides that we must appropriate again each year for the R. E. A. the sum which the Appropriations Committee finds to be necessary for that particular year. It does not have to cover each separate project, does it?

Mr. BURKE. No. The provision follows the customary practice followed since the Nation was established, that before money can be taken out of the Treasury and spent there must be an appropriation. Never has it been required that an act of Congress shall go into minute detail, but merely that the department, or the corporation, in this case, must represent to Congress what funds it wants out of the money raised by the new method of issuing bonds guaranteed by the Government. It must represent to Congress what money it wants for R. E. A., for the Farm Security Administration, or anything else; and the appropriations committees consider the matter and act upon it.

There is nothing new in the amendment. It merely restores what has always been the accepted financial policy of the Government.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. BARKLEY. In other words, before any money can be taken out of the Treasury there must be an appropriation.

Mr. BURKE. Yes.

Mr. TAFT. I assume such an appropriation could be put in the urgent deficiency bill before this bill passes.

Mr. BARKLEY. It would have to be pretty urgent to get in the one that is expected to pass before we adjourn.

Mr. TAFT. As I understand, it is urgent. The bill has been pushed as hard as it could be pushed.

Mr. President, it seems to me the amendment meets the really fundamental objection to the bill. It proceeds to prevent the bypassing of the Appropriations Committee. After all it seems to me that the main purpose of what is left in the bill—the R. E. A. and the Farm Security Administration—is to avoid coming back to Congress for 3 or 4 or 5 or 6 years, because according to the estimates the \$500,000,000 appropriated to the R. E. A. will require from 8 to 10 years to spend; and during that time the agency is entirely relieved from the compelling force of coming to Congress every year and showing what money it needs for

the next year. It seems to me the amendment fully meets the requirements.

Incidentally, I suggested in my opening speech the other night that I doubt very much whether the procedure proposed is at all constitutional. Certainly it is not in accord with the spirit of the Constitution.

The Constitution says that:

No money shall be drawn from the Treasury but in consequence of appropriations made by law; and a regular statement and account of the receipts and expenditures of all public money shall be published from time to time.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. BARKLEY. This money is not drawn from the Treasury.

Mr. TAFT. The other day the Senator made the same statement; and he cited the case of *United States v. Johnston* (124 U. S. 236), which I have read with interest, and which seems to me to prove nothing of the kind. It was a case relating back to the Civil War, when, in the midst of a war emergency, some man went out and bought cotton for the Government, or took over confiscated cotton. Anyone who reads the case will find a distinction about a special disbursing account; but so far as any discussion of the constitutional question is concerned, he will not find it.

Incidentally, there is a more recent case, the case of *Haskins Brothers v. Morgenthau* (85 Fed., 2d), pertaining to the processing taxes on oil, under the act providing that certain taxes on coconut oil shall be placed in a separate fund, earmarked as such by section 602½ of the Revenue Act of 1934, for the benefit of, and to be paid over to, the Philippine Islands. The petition asked that that section be declared unconstitutional and that the fund on hand for payment to the Philippines be held in trust for the claimant and others similarly situated. Regarding this alleged special fund in the Treasury for the Philippine Islands, the court said:

We hold these general principles to be axiomatic:

(3) First, that an act of Congress was necessary for the withdrawal of money from the Public Treasury.

(5) Third, that the Secretary of the Treasury and the Treasurer are officers of the United States holding offices established by law; that their duties are to receive and preserve the public money and not to disburse it except conformably to law; that as officers of the United States they have no right or estate in the public money or any other money in the Treasury, whether earmarked as a special fund or as part of the general fund of the United States; that they are in effect mandatories of a limited and defined commission.

The brief of Mr. Justice Reed, who was then Solicitor General, said:

It is true that the Treasury has credited these taxes to the account of a special fund, by reason of the congressional appropriation to the Philippines, but a large part of the money in the Treasury is similarly allocated. It has never been supposed that the money for that reason ceased to be that of the United States or that the United States no longer had an interest in its disposition.

It seems to me that case certainly supersedes the case cited by the Senator from Kentucky.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. BARKLEY. Does not the Senator recognize that the courts have drawn a distinct difference between a deposit of money with the Treasurer of the United States and a deposit in the Treasury of the United States?

Mr. TAFT. I think the case I have just read absolutely destroys that difference. It goes back to the point that, after all, in substance these are public moneys.

Mr. BARKLEY. They are not public moneys.

Mr. TAFT. They are borrowed on the credit of the United States.

Mr. BARKLEY. They do not belong to the United States.

Mr. TAFT. Not a cent could be obtained without obligating the United States.

Mr. BARKLEY. The moneys do not belong to the United States. Not a dollar of them is available for the expenses of the Government. They are moneys raised from the public

by the sale of bonds, and merely deposited in order that they may be used for the purpose for which the bonds are issued.

Mr. TAFT. The Senator certainly is drawing a fine distinction. These are public moneys. They are being used for public purposes. Take for instance the R. E. A. We have been appropriating for the R. E. A. for a number of years.

Mr. BARKLEY. Yes.

Mr. TAFT. We recognize its public purpose.

Mr. BARKLEY. That money came out of the Treasury. This money is not to come out of the Treasury. We have even covered back into the Treasury \$40,000,000 which we appropriated for next year for the R. E. A.

Mr. TAFT. This money will be in the Treasury down on Pennsylvania Avenue, just where any other public money is.

Mr. CONNALLY. Mr. President, a point of order.

The PRESIDING OFFICER. The Senator will state it.

Mr. CONNALLY. The Senators are not deporting themselves according to the rules of the Senate, which require that a Senator obtain consent to interrupt another Senator.

Mr. BARKLEY. Mr. President, the Senator yielded to me.

Mr. CONNALLY. But the Senator from Kentucky did not yield to him when the Senator from Ohio was coming at him.

Mr. BARKLEY. I did not have the floor when he was coming at me.

Mr. CONNALLY. Mr. President, I am not inclined to take sides—

Mr. BARKLEY. I hope I shall never be forced to yield when the Senator from Ohio comes at me.

Mr. CONNALLY. Mr. President, I invoke the rule. In addition to the dignity of the Senate being involved, the Senator from Wisconsin [Mr. LA FOLLETTE] and myself occupy positions of danger. [Laughter.]

Mr. BARKLEY. Mr. President, the Senator yielded to me.

Mr. TAFT. I did not object to the Senator speaking.

Mr. BARKLEY. I did not think I was compelled to ask the Senator to yield every time I asked him a question, so long as he was yielding. So far as any danger to the Senator from Texas and the Senator from Wisconsin is concerned because of the fact that the Senator from Ohio was coming at me, I think that danger can be excluded.

Mr. REED. Mr. President, may I ask a question of the Senator from Kentucky?

Mr. TAFT. Mr. President, I am about to resume in my own time. I do not have very much.

Mr. REED. I merely wanted to ask the Senator from Kentucky, whether or not he thinks, if there were any real danger the Senator from Texas would stay where he is.

Mr. BARKLEY. I do not know how the Senator from Texas would demean himself, but I am sure under the same circumstances the Senator from Kansas would not remain.

Mr. AUSTIN. Mr. President, who has the floor?

The PRESIDING OFFICER. The Senator from Ohio [Mr. TAFT] has the floor.

Mr. TAFT. Mr. President, the appropriation system is a fundamental feature of the American constitutional system and of our whole financial system. I wish to read from Story on the Constitution:

In arbitrary governments the prince levies what money he pleases from his subjects, disposes of it as he thinks proper, and is beyond responsibility or reproof. It is wise to interpose in a republic every restraint by which the public treasures, the common fund of all, should be applied with unshrinking honesty to such objects as legitimately belong to the common defense and the general welfare. Congress is made the guardian of this treasure and to make their responsibility complete and perfect, a regular account of the receipts and expenditures is required to be published, that the people may know what money is expended, for what purposes, and by what authority.

It seems to me that in this case we are simply abandoning our constitutional duty to sit down each year and consider how much money a particular department needs and how much money it can use in the next 12 months, which money ought to be included in the expenditures of the Government. The effect of the bill would be to take the R. E. A. expenditures and the Farm Security expenditures out of the regular

Budget of the Government and present a pretended reduction of governmental expenses.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. BYRD. I should like to have the Senator refer to section 12 and give me his opinion as to whether or not any losses which may be sustained by the corporations will be required to be paid to the corporations by the Secretary of the Treasury without coming to the Appropriations Committee. The point is that not only will the original expenditures be controlled by the corporation or commission, but any losses which occur will be automatically paid by the Secretary of the Treasury.

Mr. TAFT. My interpretation of section 12 is that it is only an authorization for appropriation. I do not know whether or not the author of the bill agrees with me, but that was rather the conclusion of the committee.

Mr. BARKLEY. Mr. President, I do agree; and to confirm the statement, I will say that we authorize in the bill an appropriation sufficient to pay any losses up to 1941. Beyond that the bill operates as an authorization under which Congress may from year to year after that, if necessary, appropriate money to take care of such losses. The losses would not be automatically paid out of the Treasury, but under an appropriation.

Mr. BYRD. Referring to line 19 on page 14, the provision with respect to losses is that the Secretary of the Treasury, on behalf of the United States, shall pay to the Corporation a sum equal to such losses. Then the authorization is made later.

Mr. TAFT. Mr. President, I am not thoroughly familiar with appropriation practice, but I was advised by someone who seemed to know that that provision is only an authorization. Of course, on page 17, the administrative expenses of the departments, administrations, and agencies of the Government for the year 1940 entirely bypass the Appropriations Committee. All the administrative expenses are to be paid out of borrowed money the first year. After that we are to be permitted to appropriate and decide what such expenses shall be. The bill attempts to say that money may be borrowed in New York by the Reconstruction Finance Corporation and paid over to the agencies to be used by them for administrative expenses without any further appropriation by Congress, because, while section 12 may or may not be an authorization for appropriation, certainly section 16 provides that no appropriation shall be required.

Mr. President, I believe very strongly that the essential fault of the whole lending program is that it is a fraudulent program, a concealing of expenditures, and the beginning of the creation of a double budget; and that if we wish to adhere to established practice we should return to the method of appropriating funds and adopt the amendment of the Senator from Nebraska [Mr. BURKE].

The PRESIDING OFFICER (Mr. LEE in the chair). The time of the Senator from Ohio on the amendment has expired. The question is on the amendment of the Senator from Nebraska [Mr. BURKE].

Mr. BURKE. I ask for the yeas and nays.

The yeas and nays were ordered and the Clerk proceeded to call the roll.

Mr. DAVIS (when his name was called). I am paired with the junior Senator from Kentucky [Mr. LOGAN]. I transfer that pair to the junior Senator from New Jersey [Mr. BARBOUR] and vote. I vote "yea."

Mr. GUFFEY (when his name was called). On this vote I have a pair with the junior Senator from New Hampshire [Mr. TOBEY]. I transfer that pair to the Senator from Louisiana [Mr. OVERTON] and vote. I vote "nay." I am not advised how either Senator would vote if present and voting.

The roll call was concluded.

Mr. MINTON. I announce that the Senator from North Carolina [Mr. REYNOLDS] is detained from the Senate because of a death in his family.

The Senator from Arizona [Mr. ASHURST] is absent because of illness in his family.

The Senator from Arkansas [Mrs. CARAWAY] and the Senator from Rhode Island [Mr. GREEN] are absent on important public business.

The Senator from Ohio [Mr. DONAHEY], the Senator from Virginia [Mr. GLASS], the Senator from Kentucky [Mr. LOGAN], and the Senator from Louisiana [Mr. OVERTON] are unavoidably detained.

The Senator from Iowa [Mr. GILLETTE], the Senator from Nevada [Mr. McCARRAN], the Senator from Wyoming [Mr. O'MAHONEY], and the Senator from Indiana [Mr. VAN NUYS] are detained in various Government departments.

Mr. HARRISON. Making the same announcement as before, I withhold my vote.

Mr. AUSTIN. I desire to announce the following general pairs:

The Senator from Wisconsin [Mr. WILEY] with the Senator from Rhode Island [Mr. GREEN].

The Senator from Oregon [Mr. McNARY] is necessarily absent. His general pair with the Senator from Mississippi [Mr. HARRISON] has been stated by that Senator.

The Senator from New Hampshire [Mr. TOBEY] would vote "yea" if present.

The result was announced—yeas 31, nays 47, as follows:

YEAS—31

Austin	Danaher	Holman	Shipstead
Bailey	Davis	Holt	Smith
Bridges	Frazier	Johnson, Calif.	Taft
Bulow	George	King	Townsend
Burke	Gerry	Lodge	Tydings
Byrd	Gibson	Miller	Vandenberg
Capper	Gurney	Nye	White
Clark, Mo.	Hale	Reed	

NAYS—47

Adams	Ellender	McKellar	Schwellenbach
Andrews	Guffey	Maloney	Sheppard
Bankhead	Hatch	Mead	Slattery
Barkley	Hayden	Minton	Smathers
Bilbo	Herring	Murray	Stewart
Bone	Hill	Neely	Thomas, Okla.
Borah	Hughes	Norris	Thomas, Utah
Brown	Johnson, Colo.	Pepper	Truman
Byrnes	La Follette	Pittman	Wagner
Chavez	Lee	Radcliffe	Walsh
Clark, Idaho	Lucas	Russell	Wheeler
Connally	Lundeen	Schwartz	

NOT VOTING—18

Ashurst	Gillette	McCarran	Tobey
Barbour	Glass	McNary	Van Nuys
Caraway	Green	O'Mahoney	Wiley
Donahey	Harrison	Overtton	
Downey	Logan	Reynolds	

So Mr. BURKE's amendment was rejected.

Mr. MEAD. I offer an amendment, which I send to the desk and ask that it may be read by the clerk.

The PRESIDING OFFICER. The amendment proposed by the Senator from New York will be stated.

The LEGISLATIVE CLERK. It is proposed to insert as a new section at the end of the bill the following:

DIRECT LOANS BY FEDERAL RESERVE BANKS TO BUSINESS ENTERPRISES

That section 13b of the Federal Reserve Act, as amended, is amended to read as follows:

"SEC. 13b. (a) In exceptional circumstances, when it appears to the satisfaction of a Federal Reserve bank that a business enterprise located in its district is unable to obtain requisite financial assistance on a reasonable basis from the usual sources, the Federal Reserve bank, pursuant to authority granted by the Board of Governors of the Federal Reserve System, may make loans to, or purchase obligations of, such business, or may make commitments with respect thereto, on a reasonable and sound basis.

"(b) Each Federal Reserve bank shall also have power to discount for, or purchase from, any bank, trust company, mortgage company, credit corporation for industry, or other financing institution operating in its district, obligations of any business enterprise; to make loans or advances direct to any such financing institution on the security of such obligations; and to make commitments with regard to such discount or purchase of obligations or with respect to such loans or advances on the security thereof, including commitments made in advance of the actual undertaking of such obligations. Each such financing institution shall obligate itself to the satisfaction of the Federal Reserve bank for at least 10 percent of any loss which may be sustained by such bank upon any of the obligations acquired from such financing institution, the existence and amount of any such loss to be determined in accordance with regulations of the Board of Governors of the Federal Reserve System: *Provided*, That in lieu of such obligation against loss any such financing institution may advance at least 10 percent of such advance of credit without obligating

itself to the Federal Reserve bank against loss on the amount advanced by the Federal Reserve bank: *Provided, however*, That such advances by the financing institution and the Federal Reserve bank shall be considered as one advance, and repayment shall be made pro rata under such regulations as the Board of Governors of the Federal Reserve System may prescribe.

"(c) The aggregate amount of loans, advances, and commitments of the Federal Reserve banks outstanding under this section at any one time, plus the amount of purchases and discounts under this section held at the same time, shall not exceed the amounts paid to the Federal Reserve banks by the Secretary of the Treasury under subsection (d) of this section, except that when the amounts so paid by the Secretary of the Treasury are, in the judgment of the Board of Governors of the Federal Reserve System, inadequate for operations under this section, the Federal Reserve banks, with the approval of the said Board, may continue operations under this section through the utilization of their other funds until the amount of such other funds so utilized equals the amounts received by them from the Secretary of the Treasury. All operations of the Federal Reserve banks under this section shall be subject to such regulations as the Board of Governors of the Federal Reserve System may prescribe.

"(d) In order to enable the Federal Reserve banks to make the loans, discounts, advances, purchases, and commitments provided for in this section, the Secretary of the Treasury is authorized and directed to pay to each Federal Reserve bank not to exceed such portion of the sum of \$139,299,557 as may be represented by the amount paid by each Federal Reserve bank for stock of the Federal Deposit Insurance Corporation, and not already paid to a Federal Reserve bank under the provisions of this section, upon request by each Federal Reserve bank and upon execution of its agreement (to be endorsed on the certificate of such stock) to hold such stock unencumbered and to pay to the United States all dividends, all payments on liquidation, and all other proceeds of such stock, for which dividends, payments, and proceeds the United States shall be secured by such stock itself, up to the total amount paid to each Federal Reserve bank by the Secretary of the Treasury under this section. Payments heretofore made by the Secretary of the Treasury to any Federal Reserve bank under the provisions of this section shall be subject only to the terms of the section as now amended. The Board of Governors of the Federal Reserve System shall have authority to reallocate among the Federal Reserve banks the funds received from the Secretary of the Treasury as said Board may find necessary in order to meet existing needs. Whenever the Board of Governors of the Federal Reserve System shall conclude, either as a result of a decrease in the volume of operations or otherwise, that the amounts paid to the Federal Reserve banks by the Secretary of the Treasury under this section are no longer needed for operations under this section, the total amount received from the Secretary of the Treasury under this section, after making adequate provisions for losses incurred in the use of such amount and after adding any net income derived from the use of such amount, shall be paid to and become the property of the United States, such payments to be made as orderly liquidation of assets acquired through the use of such amount, in the judgment of the said Board, will permit. All amounts required to be expended by the Secretary of the Treasury in order to carry out the provisions of this section shall be paid out of the miscellaneous receipts of the Treasury created by the increment resulting from the reduction of the weight of the gold dollar under the President's proclamation of January 31, 1934; and there is hereby appropriated, out of such receipts, such sum as shall be required for such purpose."

Mr. MEAD. Mr. President, in 1934, when the question of the capital and credit needs of industry was being emphasized in the Congress, the Chairman of the Federal Reserve Board at that time, Chairman Black, recommended that there be set up intermediate credit corporations in order to take care of this growing need. At that time, and when the matter came before the Committee on Banking and Currency for consideration, the senior Senator from Virginia [Mr. GLASS] presented an amendment which is virtually the amendment which I have sent to the desk, with a number of changes which I suggested today, in order that loans might be extended particularly to small enterprises.

The original amendment presented by the Senator from Virginia is changed in the main by striking from that amendment the following language—and this language is the heart and center of the amendment I have sent to the desk. This is the language that is stricken from existing law:

For the purpose of providing it—

Meaning industry—

with working capital, but no obligation shall be acquired or commitment made hereunder with a maturity exceeding 5 years.

Mr. President, the amendment which I have offered, of course, contains other new verbiage; but the language which

I have just quoted is, as I have said, language containing the major features of the amendment. It strikes out language which restricted and limited the Federal Reserve Board in granting loans to industry so that those loans could be only for working-capital purposes. It limited the life of those loans to a period of 5 years.

My amendment is the result of the hearing now being conducted in connection with the bill which I have introduced, to provide a new system of loans for small enterprise. This amendment has the approval of the Chairman of the Federal Reserve Board and of a number of Board members; but it must not be construed as the so-called Mead bill, which the Banking and Currency Committee is still considering. The hearings on that bill have not been concluded, and I should not care to ask the Senate to consider an amendment which would embrace the philosophy of the bill, until such time as the hearings shall have been concluded.

However, Mr. President, in view of the fact that the Chairman of the Federal Reserve Board and other members of the Board appeared before the committee and explained to the committee their opinion as to the necessity for loans of this character, and, in view of the fact that this amendment is but a slight modification of the amendment presented and written into the law in 1934 by the senior Senator from Virginia, I believe that it is proper and appropriate and germane at this time and for that reason I have sent it to the desk for consideration.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. MEAD. I shall be glad to yield for a question.

Mr. VANDENBERG. There seems to be some relationship between the Senator's amendment and the stabilization fund, in the final paragraph. Will the Senator explain that?

Mr. MEAD. I shall be glad to do so. In that connection there is no difference between existing law and my amendment, insofar as finding a source for the funds is concerned.

In initiating the Federal Deposit Insurance Corporation, the Federal Reserve banks were called upon to make a contribution toward its capital structure. That amount approximated \$139,000,000. The Treasury of the United States was authorized to pay that amount back to the Federal Reserve banks from the profits resulting from devaluation of the gold dollar. That is existing law. I am making no changes in that. I am merely allowing the Federal Reserve System to utilize that \$139,000,000 owing to them and now allotted to them by the Treasury of the United States.

Mr. VANDENBERG. What would it be used for otherwise?

Mr. MEAD. I presume it would be used for the ordinary conduct of the Federal Reserve System or returned to the member banks that made the original contribution to the initiation of the Federal Deposit Insurance Corporation.

Mr. VANDENBERG. Does the Senator say that the Federal Reserve Board approves of this arrangement?

Mr. MEAD. I have here the statement of the Chairman of the Federal Reserve Board, and I shall be glad to put it in the Record.

Mr. VANDENBERG. Does his statement cover the particular subject about which I am inquiring?

Mr. MEAD. I am quite sure he does cover that, but I will be sure to cover it before I conclude.

In explanation of this amendment, Mr. President, let me say that it amends section 13 (b) of the Federal Reserve Act, which now authorizes Federal Reserve banks to make loans direct to established commercial and industrial enterprises, for working-capital purposes only, and for periods up to 5 years. It also authorizes the Federal Reserve banks to grant commitments to or participate with financing institutions with respect to any such loans. The limitations now contained in the act, with respect to supplying working capital to established businesses and with respect to maturities, with the limitation to 5 years, make it impossible for the Federal Reserve banks to grant credit to many worthy enterprises, particularly where additional funds are needed for the expansion or the improvement of enterprise.

My proposed amendment would eliminate these limiting provisions and would permit the Federal Reserve banks to extend credit to any business enterprise without restriction as to purpose and without restriction as to the period of time.

Under the present law the Secretary of the Treasury is authorized to pay to the Federal Reserve banks up to \$139,000,000 out of the increment resulting from the reduction of the weight of the gold dollar, for the purpose of enabling the Federal Reserve banks to make industrial loans. This is the amount paid by the Federal Reserve banks for stock in the Federal Deposit Insurance Corporation.

I would merely permit them to use their own money. The Secretary of the Treasury has already paid to the Federal Reserve banks approximately \$27,000,000 of this sum. The law requires the Federal Reserve banks to pay the Government 2 percent, if earned, on the amount received from the Secretary of the Treasury for this purpose. My proposed amendment would direct the Secretary of the Treasury to pay to the Federal Reserve banks, upon request, such portion of the sum of \$139,000,000 as has not already been paid to the Federal Reserve banks; and my amendment would also eliminate the provision for the payment by the Federal Reserve banks of the 2 percent, and it would authorize the Board of Governors to make such reallocation among the Federal Reserve banks of funds received from the Secretary as it finds necessary to meet existing needs in granting these loans to enterprise.

My amendment also provides that whenever the Board of Governors of the Federal Reserve System shall conclude that the amounts paid to the Federal Reserve banks by the Secretary of the Treasury are no longer needed for operations under section 13 (b), then the amount received from the Secretary of the Treasury, plus income and less such expenses and losses, will be paid back to and become once again the property of the United States.

Mr. President, this amendment merely broadens existing law. It does not appropriate an additional dollar. The amendment would give opportunity to Congress to study the needs of small enterprise and to become acquainted with the volume of capital needed in this country by small enterprise. We have nothing to lose; we have everything to gain. The record of the operation since 1934 of the so-called Glass amendment is one that recommends itself to the broadening influences of the amendment which I have offered.

From June 19, 1934, the date when the Federal Reserve banks were authorized to make working-capital loans to business enterprise, up to May 1939, the Federal Reserve banks passed on 9,291 applications, and took commitments to make advances amounting in all to \$395,000,000.

Of the total number of applications over a thousand, amounting to \$195,000,000, had to be rejected because the funds were not to be used for working-capital purposes. They will be taken care of under the amendment which I have sent to the desk. Between 350 and 400 applications amounting to \$15,000,000 had to be rejected because the applicants were not established in industrial or commercial enterprises.

In the case of the establishment of an enterprise in the vicinity of the anthracite mining field, where, up until the present, it has been necessary for them to secure their equipment in Germany, and where we know an enterprise will have every reason to be successful, loans could be made for the initiation of this needed new enterprise.

The PRESIDENT pro tempore. The time of the Senator on the amendment has expired.

Mr. MEAD. Mr. President, I desire to speak on the bill. Other rejections numbered about 5,100, and amounted to approximately \$155,000,000. The reasons for these rejections were unsatisfactory management, unsatisfactory financial condition, and unsatisfactory business prospects. Under my amendment they will be rejected in the future. Under my amendment only sound loans will be made, and under my amendment only good, solid, substantial industries will be encouraged.

Mr. President, what about the earnings under the operation of this amendment? What possibilities of profit or loss are there under the operation of the amendment I have at the desk insofar as the administration of the new measure is concerned? From the record we learn that to the end of 1938 the net earnings on industrial advances, before making provision for losses, amounted to \$2,800,000. Determined losses charged off aggregate but \$160,000, and reserves set aside to take care of estimated losses amount to \$1,865,000. This leaves net earnings of about \$770,000 for the period from June 19, 1934, to December 31, 1938.

At the present time the Federal Reserve banks hold, in addition to the \$2,500,000 of advances which are past due 3 months or more, \$1,300,000 of miscellaneous assets they have acquired in connection with the liquidation of defaulted obligations.

From the earning record, therefore, from the profits at hand, the liberalization of existing law without the authorization of an additional appropriation will, in my judgment, meet a very real need, and it will enable the subcommittee recently authorized by the Committee on Banking and Currency, and given an appropriation to make a study of capital needs, an opportunity to say just what these needs are, and to observe in application, in the processes of administration, the authorization contained in this amendment. It will, in my judgment, serve a useful and a fruitful purpose. It will help the Senate of the United States to determine whether or not permanent law on the subject should be enacted, and just what the provisions of that permanent policy should be.

Mr. President, of the total amount of advances and commitments made by the Federal Reserve banks, only \$38,000,000 were advanced by the Federal Reserve banks direct to borrowers. Seventy-one million dollars represents advances made through local banks or commitments to local banks. That shows a cooperative attitude on the part of the local banks in making loans to business enterprises covered by Federal Reserve banks' commitments. Also the fact that the servicing of loans was rendered to a large extent by local banks accounts for the small amount of losses suffered by the Federal Reserve banks to date.

The amendments to section 13 of the Federal Reserve Act which I suggest propose only a slight broadening of the Federal Reserve bank authority, so that the Reserve banks will not be limited, if my amendment shall be adopted, by the restrictions imposed under existing law. These restrictions, I repeat, are that loans be only for working-capital purposes, that only established industrial businesses shall be considered eligible borrowers, and that the maximum maturities cannot exceed 5 years.

Mr. President, I should like now to read the observations made by the Chairman of the Federal Reserve System in recommending this legislation. Appearing before the Banking and Currency Committee only recently, he made the following statement:

As I see it there is a definite gap in our financial mechanism in respect to facilities it offers for meeting two classes of need, one the short and intermediate credit needs of small business, whose paper in present circumstances is at the borderline of bankable assets, and second, long-term credit and capital needs of small and medium-sized existing or prospective enterprises.

Mr. Eccles then proceeded to say in the same testimony, in citing the experience of Federal Reserve banks, under section 13 (b):

I believe that the authority which has been given to the Federal Reserve banks in this respect has not been sufficiently comprehensive. Many loans which might otherwise have been made have had to be declined because of restrictions in the law, such as the requirement that industrial loans be made only for working-capital purposes and to only established businesses, and for periods of not more than 5 years. The Federal Reserve banks have been crippled in the loans they might have wished to approve because of the restricted authority now granted under section 13 (b).

Mr. Eccles in the same testimony declared:

Abolish the present lending powers if you do not expand those powers.

He continued:

If, after consideration, Congress should feel that it does not desire to enact a proposal of this kind—

He was speaking then about my bill, and his proposal to set up a new corporation:

If, after consideration, Congress should feel that it does not desire to enact a proposal of this kind, then it would be my recommendation that section 13 (b) of the Federal Reserve Act be repealed, because it does not operate satisfactorily in meeting the situation.

Mr. VANDENBERG. Mr. President, if the Senator will yield there, is that the statement of the Governor of the Federal Reserve System upon which the Senator relies when he says that Mr. Eccles recommends this specific amendment?

Mr. MEAD. I go beyond that, and say that I had the collaboration of the chairman and other executives of the Federal Reserve System in drafting the proposal.

Mr. President, as a result of this chaotic condition we find all over the world, we find it necessary in the United States to organize and create new industries. All over the land new industries, with very full measure of success, are looking for working capital. These new industries grow out of the turmoil of political conditions abroad. Yet we are unable to finance those industries.

I believe that America would be successful, that we would write a new pioneering chapter in American history, if we could make loans to enterprise or to industry not yet created which we have every reason to believe will be successful.

I have here a letter I received only recently from the comptroller of my State pointing out the great need of character loans to industry. He proceeds to say:

It was a character loan to the Vanderbilts that created the Staten Island Ferry and eventually the New York Central Railroad. It was a character loan of \$28,000 to Mr. Ford that created jobs for nearly 100,000 men. It was a character loan to Mr. Singer that created that great industry, with its 1,700 agencies.

He proceeds to say that not only the development of our financial industry, not only the development of our commercial industry, but the necessary development of our governmental machine has impeded the progress of negotiating loans to enterprise, has in some instances actually stopped loans from going to enterprise. As a result of the situation in the financial world and the situation in the commercial world, with monopoly growing as the result of the very necessary situation here in the governmental world, with all of its various organizations having direct connection with our banks, it seems to me we have left small enterprise out in the cold, and that we should do something to remedy that deplorable situation.

Mr. President, little industries, small businesses in America cannot today negotiate intermediate or long-term loans. They are working on their reserve capital. They are neglecting their equipment. Their plants are in decay, all because they are pouring their every dollar into what might be called current needs. They have gone so far, Mr. President, that they are being financed by materialmen, by the wholesalers, by those with whom they must of necessity do business. That limits and restricts their scope, and that indicates that unless something is done to provide a remedy in this deplorable situation which has existed since 1920—unless something is done, the end of small business in America is not far off. The menace of growing monopoly, the menace of the chain store, the menace of big business dominating every section of the United States impedes the progress of small industry in its desire to secure adequate capital in order that it might carry on and compete.

So, Mr. President, this minor amendment which I offer, limited and restricted in its scope as it is, authorizing no new appropriation, will, I trust, be included in the lending bill.

I hope that in the next session of Congress we shall not only consider matters of minor importance, such as those dealt with in my amendment, but that we shall give consideration to the establishment of a sound, comprehensive policy of government which will encourage small enterprise

and write a new chapter in the building up and development of industrial America again.

Mr. ADAMS. Mr. President, the Senator from New York had before the Banking and Currency Committee a bill which we referred to as the Mead bill, which is not this measure. It was a bill authorizing the Reconstruction Finance Corporation to make loans. His amendment is quite a different measure. It seems to me that this matter should not be crowded upon the present session. It should not be made a part of the bill without hearing and without study. It goes into the fundamentals of the Federal Reserve System. The Federal Reserve System was established for the purpose of stabilizing the banking system of the United States, for making the resources of the banks available to industry, and to commerce, and to agriculture. The bill is limited in a measure, yes; but it is limited not to the use of Government funds. It proposes to make use of the funds not of the Federal Reserve Board but of the Federal Reserve banks. The Senator from New York says it is approved by the Chairman of the Federal Reserve Board. It is not, so far as I know. And the Senator is very careful not to say that it has the approval of the Federal Reserve Board.

Every dollar that the Federal Reserve banks have, every dollar that is to be loaned under the provisions of this bill, is private money. Not one dollar of public money does the bill provide to be loaned. It provides that the loans shall be made from the funds of the Federal Reserve banks, of the 12 Federal Reserve banks, whose capital was contributed by the member banks, National and State.

Congress exercised one simple act of liberality when it took \$139,000,000 of the surplus of the Federal Reserve banks as a portion of the fund created to guarantee deposits, but as the banks, which were the owners of the Federal Reserve System, were benefited by it, there was good reason for that action. However, there was some criticism because of the fact that banks which were not members of the Federal Reserve System received some benefit from it. But this \$139,000,000 belonged to the Federal Reserve banks, which, in turn, belonged to their member banks. It is now to be used to make loans direct to industry.

Mr. MEAD. Mr. President, will the Senator yield?

Mr. ADAMS. I yield.

Mr. MEAD. In existing law Senators will find that the Federal Reserve banks have the use of \$139,299,000, which represents the amount paid by the Federal Reserve banks to buy stock in the Federal Deposit Insurance Corporation. They use that money now under the amendment written into the law by the senior Senator from Virginia.

Mr. ADAMS. I think I know what the senior Senator from Virginia thinks about it, too.

Mr. MEAD. I do not know anything about that. But I am not providing any use for the funds. The Federal Reserve banks have that money right now. I am simply broadening the purpose—

Mr. ADAMS. Yes; the Senator is broadening the purpose.

Mr. MEAD. But not providing any new money.

Mr. ADAMS. That is not all. The Senator provides that at any time loans are liquidated, the money, instead of going back to the Federal Reserve banks, where it belongs, shall go to the Treasury of the United States and become Government property. It is a confiscatory proposition, in that \$139,000,000 which belongs to the Federal Reserve banks, and which in turn belongs to the member banks, as well as every dollar of the Federal Reserve banks' capital, was contributed by private banks. The Government has taken over their surplus earnings. No one complains of that. Now it is proposed to take over the money which the Federal Reserve banks turned in to the Federal Deposit Insurance Corporation fund in the event the loans are repaid. And it means to go on and make unduly liberalized loans.

Mr. President, regardless of the merits of the Senator's proposal, I believe that a measure which deals with the essential functions of the Federal Reserve banks estab-

lished as they are to stabilize the banking system of the United States, should not, without consideration by the Senate Committee on Banking and Currency, and without full consideration by this body, be attached to the lending bill.

Mr. BYRD. Mr. President, when the senior Senator from Delaware [Mr. TOWNSEND] offered an amendment to the bill to prohibit the purchase of foreign silver, some question arose on the floor of the Senate as to the exact attitude of my colleague, the senior Senator from Virginia [Mr. GLASS], who is chairman of the subcommittee considering that matter. I ask that the clerk read in their order three telegrams which I have received from the senior Senator from Virginia on this subject.

The PRESIDING OFFICER. Without objection, the clerk will read as requested.

The Chief Clerk read the telegrams, as follows:

LYNCHBURG, VA., July 29, 1939.

Senator HARRY F. BYRD,
Senate Office Building:

I assume you know that I am utterly opposed to the purchase of foreign silver and so stated in the Banking and Currency Committee repeatedly. Should there be a vote on the question I would like you to have me a live pair.

CARTER GLASS.

LYNCHBURG, VA., July 29, 1939.

Hon. HARRY F. BYRD,
Senate Office Building:

Touching the foreign silver purchase proposition, I may state that Secretary Hull, the day before I was compelled to leave Washington, telephoned me to disregard his request for delay.

CARTER GLASS.

LYNCHBURG, VA., July 30, 1939.

Hon. HARRY F. BYRD,

Senate Office Building, Washington, D. C.:

Please add this to my other telegrams should occasion offer. Please have it understood that I always have been and am now opposed to the purchase of foreign silver and desire to be recorded in favor of the immediate repeal of the law authorizing such purchase.

CARTER GLASS.

Mr. BYRNES. Mr. President, I desire to express the hope that amendments of this importance should not be attached to the bill when the Senate has had no opportunity to give to them the careful consideration they deserve. The Federal Reserve banks are authorized to make loans. They loaned, as I recall, about \$60,000,000. Some of those loans are in default. Certainly the Committee on Banking and Currency has not had an opportunity to determine whether the money of the Federal Reserve banks should ever be loaned under the terms set forth in the bill.

Mr. VANDENBERG. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Carolina yield to the Senator from Michigan?

Mr. BYRNES. I yield.

Mr. VANDENBERG. Mr. President, since this subject arose I have been trying to get in touch with Mr. Eccles on the telephone to discuss the matter with him. I have not been able to do so. It certainly is not fair to ask me to vote a thing of this sort into the bill when I cannot exchange a word with the governmental authorities who deal with the subject.

Mr. BYRNES. Mr. President, I distinctly regret that the Senator from New York [Mr. MEAD] feels that he should offer the amendment at this time. It may be that upon investigation opportunity would be given the committee to have hearings, and some plan might be worked out. But certainly in the absence of any information as to the effect of the amendment it would be extremely unwise to adopt the amendment after consideration under circumstances necessarily incident to the closing of the session.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. BARKLEY. I entirely concur in the views expressed by the Senator from South Carolina and the Senator from Colorado. The proposed amendment makes a fundamental

change in the operation of the Federal Reserve banks and the Federal Reserve System. Certainly no such change ought to be made without committee consideration. We do not know whether or not it ought to be made at all, but no committee has given any consideration to this subject.

Mr. President, we all appreciate the sincerity and earnestness with which the Senator from New York [Mr. MEAD] is seeking to make a little easier credit for small business. However, the proposed amendment makes a fundamental change in the Federal Reserve System. It has not had consideration by the Committee on Banking and Currency. We do not know what might develop in the way of information as to its operation. In view of the importance of it, I wonder whether my good friend from New York will not withdraw his amendment so that the committee at some early date—probably early in the next session—may give consideration to the matter and determine whether or not it will take action upon it.

Mr. BYRNES. Mr. President, I join in the request of the Senator from Kentucky. I desire to know the view of the Federal Deposit Insurance Corporation. Insurance of deposits has given confidence to the depositors of the Nation. I do not know what effect the amendment would have. I think we ought to have an opportunity to invite Mr. Crowley to appear before the committee. It may be that after he has had an opportunity to study the bill he will not be opposed to it. I think the Senator from New York should give the committee an opportunity to consider a measure of such great importance.

Mr. MEAD. Mr. President, I recognize the propriety of offering amendments germane to the underlying purposes for which the bill is drafted. I agree with the contention that my amendment has not yet received committee consideration. Of course, the Senator knows that for 2 or 3 years I have been pressing for the enactment of legislation which would make loans more readily available to small enterprises.

Mr. BYRNES. I know that.

Mr. MEAD. However, I appreciate the fact that my amendment might retard the progress of the pending legislation. I know that the Committee on Banking and Currency, of which the senior Senator from my State [Mr. WAGNER] is the chairman, intends to pursue an intensive study of this subject after the adjournment of Congress.

With that in mind, and because it seems to be the sense of Senators on both sides of the aisle, I am perfectly willing to withdraw the amendment and have it referred as a separate subject to the Committee on Banking and Currency for study during the period when Congress will not be in session.

I wish to say to the Senator from Colorado that my amendment makes no change in the use of the money, because Federal Reserve banks are now using the money for the same purpose, and they are forced to pay the Treasury 2 percent on the use of their own money. That fact occurred to me to be inconsistent; so my amendment would repeal that clause requiring the Federal Reserve banks to pay the Treasury 2 percent on money which, as the Senator stated, is their own money.

So, Mr. President, I withdraw the amendment at this time.

The PRESIDING OFFICER. The amendment is withdrawn.

Mr. MEAD. Mr. President, I have another amendment, which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from New York will be stated.

The CHIEF CLERK. It is proposed that section 5 (d) of the Reconstruction Finance Corporation Act, approved January 22, 1932, as amended, be amended to read as follows:

Sec. 5d. For the purpose of maintaining and promoting the economic stability of the country or encouraging the employment of labor, the Corporation is authorized and empowered, under such terms, conditions, and restrictions as the Corporation may determine, to make loans to, or contracts with, States, municipalities, and political subdivisions of States, municipalities, and political subdivisions of States, and with public corporations, boards, and commissions, to aid in financing projects authorized under Federal, State, or municipal law, such loans or contracts to be made through the purchase of their securities, or otherwise, and for such purpose the Corporation is authorized to bid for such

securities. The Corporation is further authorized and empowered to purchase the securities and obligations of and to make, or to guarantee or insure, loans to any business enterprise when capital or credit, at reasonable rates for the character of loan applied for, is not otherwise readily available: *Provided*, That all such purchases of securities and obligations and all such extensions of loans and credits whether made, guaranteed, or insured, shall be made under conditions which afford good and reasonable prospect of their retirement or repayment; may be made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate or to guarantee or insure, or by the purchase of participations or otherwise, shall be made only when the business enterprise, upon the completion of such financing, is solvent and reasonably likely to continue as a going concern: *Provided further*, That in carrying out the provisions of this section the Corporation may purchase securities and obligations and may make loans, with such maturities as the Corporation may determine, notwithstanding any other provision of law.

"The powers granted to the Corporation by this section shall terminate on June 30, 1941, or on such earlier date as the President shall determine; but no provision of law terminating any of the functions of the Corporation shall be construed (1) to prohibit disbursement of funds on purchases of securities and obligations, on loans, or on commitments or agreements to make such purchases or loans, made under this section prior to the close of business on June 30, 1941, or such earlier date, or (2) to affect the validity or performance of any agreement to participate in any purchase or loan authorized by this section.

"Nothing in this section shall be construed to authorize the Corporation (1) to purchase, or to make any commitment or agreement to purchase, any securities or obligations of any railroad engaged in interstate commerce, the obligations of which may be purchased or guaranteed by the Corporation under section 5 of this act only with the approval of the Interstate Commerce Commission, or (2) to make any loan, or any commitment or agreement to make a loan, to any such railroad or to any receiver or trustee thereof."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from New York.

Mr. MEAD. Mr. President, I shall ask the Senate to determine by vote whether or not this amendment is to be approved. I make that statement because this is a subject which has been considered by the Banking and Currency Committee.

We are all familiar with the observations which have been made by the Chairman of the Reconstruction Finance Corporation Board; and the amendment, in the estimation of some of its critics, makes no change so far as existing law is concerned but merely writes in bolder detail the fact that the Reconstruction Finance Corporation shall have authority to guarantee or insure loans through banks, lending agencies, and so forth.

Mr. President, the amendment amends the Reconstruction Finance Corporation Act purposely to establish the principle of guaranteeing and insuring loans. That principle has been contained in the legislation which I have fostered for the past two or three sessions of Congress. That principle is contained in bills presented by other Members of this body, including the Senator from Florida [Mr. PEPPER] and the Senator from Kentucky [Mr. LOGAN], as well as by Members of the House of Representatives. The principle for which they have been striving—the principle of which I seek ultimate approval by the Congress—would make readily available to small enterprises all the credit and capital needs in the proper operation of their business. Of course, all the funds would be guaranteed. All the applications would be sound before they received approval.

Mr. President, much has been said about the attitude of the Chairman of the Federal Reserve Board with regard to this amendment. The amendment is not the so-called Mead bill. It is a minor amendment to existing law. As I have just stated, and now repeat, it is an amendment which would make it possible for the Reconstruction Finance Corporation to establish a system of insured loans; and if the critics of the amendment believe that the Reconstruction Finance Corporation now has the authority to do just that, I hope I shall have their approval. My amendment would be only supplementary. It might be superfluous. Nevertheless, it would be a mandate from Congress to set up a system of insured loans. It might lead to the ultimate adoption of a comprehensive plan which would serve small industry as the F. H. A. serves the construction industry today.

Mr. President, what has been said by the former Chairman of the Federal Reserve Board with regard to this legislation?

I have here a statement by the Honorable Jesse Jones, Federal Works Administrator, after a White House conference held July 19, 1939, which is as follows:

The President today discussed with Senator Wagner, Senator Mead, Jesse Jones, Federal Loan Administrator, and Emil Schram, R. F. C. Chairman, the need and desirability for long-term credit.

All agreed that no effort should be spared to meet legitimate need of small business for working capital and for credit for modernization of plant and equipment.

The President expressed the hope that the R. F. C., under existing law, would continue its efforts to put into effect substantially the substance of the Mead bill, which has for its purpose the insuring of bank loans to small business.

It was agreed that the R. F. C.'s program of lending, in cooperation with banks—where the R. F. C. usually guarantees the banks against loss on the major part of the loan—is equivalent to the insuring that part of the loan; but that direct authority to insure loans through a new act of Congress would stimulate applications and probably encourage banks to make a greater effort at lending, particularly for modernization and plant improvement, and for longer terms than has heretofore been the practice.

The President suggested that it was important that an educational campaign be conducted to bring home to banks, insurance companies, finance companies, and other lending institutions what the R. F. C. will do in the way of insuring and guaranteeing current and long-term loans to business and to bring home to businessmen, regardless of the size of their business, what their local banks and lending institutions can do to meet their credit needs.

That is what Mr. Jones said at the White House conference; that was what was contained in his news release.

Mr. President, the present chief executive officer of the R. F. C. is Mr. Schram, and at that conference he made a statement, which was given to the press and published widely throughout the country. The released account of the White House conference is as follows:

CONFERENCE REGARDING THE MEAD BILL FOR THE INSURANCE OF BANK LOANS TO SMALL BUSINESS

The President discussed with Senator Wagner, Senator Mead, and Mr. Emil Schram, of the Reconstruction Finance Corporation, the need and desirability of insuring intermediate and long-term bank loans to small business along the lines suggested in Senator MEAD's bill, upon which hearings have been held before the Senate Banking and Currency Committee.

Those present agreed that no effort should be spared to meet the legitimate needs of small business for working capital and for the modernization of plant and equipment.

The President expressed the hope that the R. F. C. under existing law might take steps to put into effect the substance of the Mead scheme for the insurance of bank loans to small business. Mr. Schram agreed that this should be possible with the aid of a few clarifying amendments to section 5d of the R. F. C. Act, which both Senator WAGNER and Senator MEAD thought could be enacted at this session without much controversy.

That is what is contained in the amendment which I have sent to the desk.

The President suggested that it was important that an aggressive campaign be conducted not only to bring home to banks, insurance companies, finance companies, and other lending institutions what the R. F. C. will do in the way of insuring intermediate and long-term loans to small business, but to bring home to small-business men what their local banks and lending institutions can do to meet their intermediate and long-term-capital requirements.

The President also expressed the hope that the Senate Banking and Currency Committee, or a subcommittee thereof, during the recess might study the adequacy of the intermediate and long-term-credit facilities available to small business and the need of any further legislation to accomplish the purposes of the Mead bill.

Mr. Schram was widely publicized in connection with that conference and in relation to the statement. I have here from the Buffalo Evening News, which carries the picture of Mr. Schram, a long article in connection with the interview at the White House, and some information with regard to his ideas concerning the operation of the R. F. C.:

Discussing R. F. C. lending activities, of which he has had charge for the past year, Mr. Schram said he thought that the amendments of Senator JAMES M. MEAD (Democrat), of Buffalo, to the lending bill, providing for R. F. C. insurance of small-business loans "will be helpful."

MERIT IN MEAD BILL

"We will continue," he said, "to make loans on as liberal a basis as possible. There is merit to the Mead legislation. I do not want people to think there isn't, and take it lightly. Psychologically, it will have an extremely beneficial effect, in my opinion."

In 1935, I believe it was, or perhaps it was in 1937, when the President issued restrictions preventing the R. F. C.

from making loans of this character or any character, there was a lull in the expansion of our economy and shortly thereafter the President issued an Executive order authorizing the R. F. C. again to make loans to business enterprise. During the interim there was introduced what became known as the Glass-Steagall bill, which was an amendment to the then existing R. F. C. Act. The Chairman of the Federal Reserve System made the statement that they already had the authority which was contained in that new proposal, but, nevertheless, even though he repeated the statement that he had the authority, the Congress enacted the Glass-Steagall amendment authorizing the R. F. C. to initiate loans to enterprise, and, under the impetus resulting from the enactment of that bill, the R. F. C. made a mighty contribution to the expansion and enhancement of the Nation's developing economy.

So I believe, Mr. President, along with Mr. Schram and along with Mr. Jones, that the adoption of the amendment which I have offered will do much good, will improve the credit situation for small business, and I hope, in view of the fact that hearings have been held on this subject and that the statement of the head of the R. F. C. and the former head of the R. F. C. are known to all the Members of this body, that the amendment will be adopted.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from New York [Mr. MEAD].

The amendment was rejected.

Mr. ADAMS. Mr. President, the senior Senator from Montana on Saturday offered an amendment which was adopted striking out section 7 of the bill, the section dealing with loans for the purpose of purchasing railroad equipment. The legislative drafting service has called his attention—he is absent and so I am offering the amendment—to several amendments which are necessary to avoid any conflict by reason of the adoption of that amendment. I now offer the amendments.

The PRESIDING OFFICER. The amendments will be stated.

The LEGISLATIVE CLERK. On page 2, line 4, after the comma, insert "and"; and in line 5 strike out "and the Corporation."

On page 4, strike out lines 18 to 23, both inclusive.

On page 11, at the end of line 7, insert "and"; and in lines 8 and 9 strike out "and the Corporation."

On page 15, at the end of line 8, insert "and"; and in lines 9 and 10 strike out "and the Corporation."

The PRESIDING OFFICER. Without objection the amendments are agreed to.

Mr. KING. Mr. President, will the Senator make an explanation of the amendments?

Mr. BARKLEY. The amendments are made necessary because the Senate struck out the section relating to loans for railroad equipment.

Mr. KING. The amendments, then, affect the provision relating to loans for railroad equipment?

Mr. ADAMS. Yes. The amendment of the Senator from Montana struck out section 7 of the bill. There were certain other textual matters in the bill which referred to the section which was stricken out and the amendments are to that part of the text which refers to section 7, which is no longer in the bill.

Mr. KING. The amendments do not cover any other provisions of the bill?

Mr. ADAMS. No.

The PRESIDING OFFICER. The amendments have been agreed to.

Mr. BYRD. Mr. President, I ask the clerk to report an amendment which I offer, and which is on the desk, with respect to making the bonds issued under this bill taxable.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The LEGISLATIVE CLERK. On page 2, between lines 22 and 23, it is proposed to insert the following:

(c) Such notes, debentures, bonds, or other obligations issued to carry out the provisions of this act shall be subject both as to

principal and interest to all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority, to the same extent as any notes, debentures, bonds, or other obligations which are not tax-exempt are subject to such taxation.

Mr. BYRD. Mr. President, it is not my purpose at this late hour to indulge in a lengthy discussion of this most important amendment. Under the provisions of this bill these bonds, if and when issued, will be exempt from normal Federal taxation and exempt from local and State taxation.

The purpose of this amendment is to do the very thing the President of the United States said should be done with respect to securities that have heretofore been issued and are tax-exempt.

I call the attention of the Senate to the fact that under the memorandum submitted by the Committee on Banking and Currency it is estimated that the interest rates on the loans which are to be made will be as follows: On a 40-year loan approximately 2½ percent; on a 30-year loan approximately 2⅓ percent; on a 20-year loan 1¾ percent; on a 10-year loan approximately 1 percent.

It is proposed under this legislation that the loaning capacity of the Federal Government, using the tax-free power of the Federal Government to issue these obligations, shall be passed on to those to whom the money will be loaned.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. CONNALLY. Without expressing any individual opinion, I think it would be a very useful experiment if the Congress would adopt the amendment of the Senator from Virginia so that we could see the market result as between bonds that carry a tax and those that are tax free.

Mr. BYRD. I appreciate the Senator's statement, and I hope that he will vote for the amendment.

Mr. CONNALLY. That would be the only ground on which I would ever vote for it, namely, purely as an experiment.

Mr. BYRD. I am glad to get the vote of the Senator from Texas on any ground whatever, just so he votes for the amendment.

The Senator from Michigan [Mr. Brown], the Senator from Virginia, and other Senators have been members of the special committee investigating the question of taxing securities that are now tax-free. It was shown by this investigation that making these securities taxable would only increase the interest rate from 10 to 20 percent. That was the evidence before the committee; so that if this amendment should be adopted, the increase in the interest rate would not be consequential. Let us not forget that these loans are in a different category from other loans that are made for the expenses of the Federal Government, because it is proposed, as I have said, to use the taxing power and the value of the property of the people of the United States to borrow this money and pass it on to those who will make the loans.

On June 24, 1939, Mr. Turner Catledge, one of the most trustworthy correspondents here in Washington, reported in the New York Times regarding the President's press conference with reference to the loan program in this language:

The President discussed the proposal in some detail at his press conference this morning. He expressed the hope then that the securities floated by the various Federal agencies to make up the loan fund would not bear tax-exempt features. He reiterated his previous recommendation that income from all future issues of public bonds bear their share of taxes.

Then, Mr. President, to corroborate that statement contained in the New York Times, I find in an article written by Mr. Felix Cotten, in the Washington Post, the following language:

The President said at a morning press conference that he hoped securities issued by lending agencies to finance the new program would not be tax-exempt.

Mr. President, some question was raised by the distinguished Senator from Kentucky whether the President was correctly quoted. I have in my hand a verbatim transcript

of what the President said at that conference. At his press conference on June 23, 1939, the President was asked if the securities to be issued by the Government under the proposed spending-lending program would be tax-exempt, and to this question he replied:

Oh, I hope not. I don't know what the law on it is. I hope we will get the Congress to make it clear that there will not be any more anywhere.

So, Mr. President, I think the time has come to stop issuing tax-exempt securities. We have the recommendation of the President. Legislation is now pending before the Congress of the United States providing for the taxation of all future issues of bonds attempted to be made tax exempt, and let us not forget that the bonds issued under the terms of the legislation now proposed may extend for 30 years, and will be tax exempt throughout their life.

Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. BARKLEY. Mr. President, it is very gratifying to me to find that the Senator from Virginia is able to quote the President of the United States, when the Senator can construe in support of his position some statement the President has made.

Mr. BYRD. Does the Senator from Kentucky deny that the President of the United States made that statement?

Mr. BARKLEY. I said the other day that I was not present at the conference and I did not know whether or not he was correctly quoted, but that even if he were correctly quoted, I did not change my position with respect to the particular bonds.

Mr. BYRD. That is not the question I asked the Senator. I asked whether he denied that the President of the United States made the statement that these securities should not be tax-exempt.

Mr. BARKLEY. I neither deny nor affirm. I do not know whether he said it or not.

Mr. BURKE. Will the Senator yield, Mr. President?

Mr. BARKLEY. I yield.

Mr. BURKE. Assuming that the President did make the statement, is the Senator from Kentucky able to construe it in any other way than as the Senator from Virginia has construed it?

Mr. BARKLEY. I am not so certain that when the President made that statement—if he made it exactly in the language quoted—he meant to have it apply to all future bond issues, and that all should be dealt with on the same basis.

Mr. President, I think we ought not to deal piecemeal with bond issues, insofar as their taxability is concerned. In other words, I think that when we deal with that subject we should deal with all bonds on the same basis. I realize that there is very keen interest in the question of removing the tax-exempt privilege from bonds issued by the United States. Of course the income from these bonds and all other Government bonds is now taxable so far as surtaxes are concerned. The bonds to be issued will be in the same class with all other Government bonds.

Mr. BYRD. Mr. President, I think the Senator should make himself clear that these bonds will be exempt from all normal Federal taxes and all State and local taxes.

Mr. BARKLEY. When I said they were subject to surtaxes, of course that statement carried with it the assumption that the bonds would be exempt from the normal tax. We all understand that to be true.

Mr. President, as I was about to say, the question of tax-exempt securities is one concerning which there is very keen debate throughout the country and in Congress. There is a division of opinion as to whether, without a constitutional amendment, Congress has the power to tax securities, outside of those of the Federal Government. I believe the distinguished Senator from Idaho thinks that while by statute we may tax our own Federal obligations, without a constitutional amendment, on the other hand we cannot tax obligations of States, counties, and municipalities without a constitutional amendment. If my understanding is incorrect, he may correct it.

Mr. President, this discussion brings up the subject of what we should do and what we can do with respect to the taxation of our own obligations. I am of the opinion that, if we ever make the obligations of the Federal Government taxable by States or localities, we should not do so until their obligations are mutually taxable by the Federal Government. We can tax all our own if we wish; but when we deal with Government bonds and undertake to lift from them the exemption which they now enjoy, I think we should deal with the subject comprehensively and should treat all bonds alike and put them on the same basis.

Mr. BYRD. Mr. President, will the Senator yield once more?

Mr. BARKLEY. I yield.

Mr. BYRD. Up to this time such bonds as those proposed have been regarded as an indirect debt of the Corporation, as obligations of the Corporation, and not of the Government.

Mr. BARKLEY. They are still enjoying the same tax-exempt privilege that is enjoyed by Government obligations—Liberty bonds and other bonds.

There has been an investigation under the chairmanship of the distinguished Senator from Michigan [Mr. Brown], who has done a very comprehensive, thorough, and capable job up to now, in the investigation and in the partial report which he has made to the Committee on Banking and Currency. All the R. F. C. obligations now outstanding enjoy this tax-exempt privilege, whether or not they were made for the purpose of obtaining money to loan railroads; and a few days ago an argument was made against the section of the bill pertaining to loans to railroads, and it was stated that the bonds issued to obtain money to lend to the railroads would be tax-exempt. Such bonds are already tax-exempt, so far as that is concerned. However, the section providing for loans to railroads has been stricken from the bill.

Obligations which were sold by the Reconstruction Finance Corporation for the purpose of obtaining money to lend to municipalities and States prior to the establishment of the Public Works Administration carry the same sort of tax-exempt privilege, except as to surtaxes. Obligations issued by the Reconstruction Finance Corporation to obtain money to lend to business and industry in this country carry the same sort of tax-exempt privilege, except as to surtaxes.

Mr. President, here is a bill for the purpose of providing money by the same process—the issuance of bonds by the Reconstruction Finance Corporation—for States, counties, and municipalities, to enable them to carry out projects heretofore carried out under the P. W. A. In the same way this bill is intended to provide money for rural electrification, and in the same way it is intended to provide money for farm security. The only bonds now provided for under this bill are those to provide funds to take care of farm tenants and farmers who desire to rehabilitate themselves, and farmers who desire to put in electrical apparatus and appliances in order that they may enjoy the modern blessings of electricity. There is also provided \$350,000,000 to be advanced to the P. W. A. for the purpose of carrying on projects similar to those which have heretofore been under consideration.

Mr. President, it seems to me that it would be a strange thing for the Senate of the United States to say that the bonds which are to be issued in order to provide funds to enable the farmers to electrify their farms or to enable tenants to buy farms and become landowners or to enable those who are now landowners to protect their homes and themselves, are to be issued under a restriction depriving them of the privileges which other Government bonds enjoy. I may be inclined, and I think I am inclined, to favor the elimination of the tax-exempt privilege from all Federal obligations. I should certainly be in favor of such a procedure if it were mutual, so that we might tax obligations of all other subdivisions of our Government.

However, Mr. President, I am not willing to put into this bill a provision requiring the taxation of these bonds—bonds which are to be for the benefit of American agriculture, in the way of rural electrification and in the way of farm ten-

ancy and rehabilitation—when all other bonds issued for all other purposes, including those issued for the benefit of business, industry, banks, and railroads, still enjoy the tax-exempt privilege.

For that reason, and because the whole matter is under discussion and consideration by the Committee on Finance, concerning which a final determination has not yet been reached, I hope that we will not now undertake to deal in this measure with the question of tax exemption, so as to put the bonds to be issued under the proposed law on a more disadvantageous basis than those already issued by the Reconstruction Finance Corporation and other governmental agencies, and by the Government itself.

Mr. BURKE. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. BURKE. I think there is a great deal of merit in the position of the Senator from Kentucky; these matters should be considered together. But is there not also necessity for giving consideration to the fact that there is a determined drive which may result in early adoption of the general proposal suggested by the Senator from Kentucky, and would it not now be unfortunate, on the eve of the possibility of such a happening, to issue a very large amount of bonds, such as would be issued under the pending measure, even after the piling that has been done in the Senate, and have something like a billion and a half dollars of bonds issued tomorrow, or the next day, or very soon, totally tax-exempt, except for surtaxes, since in the very near future Congress might get around to adopting a general provision, and there would be no means at that time of reaching out and taxing this very large issue of bonds at all? It seems to me that is something which should be given consideration.

Mr. BARKLEY. Mr. President, I do not think the Senator's fears are justified. Of course, no one can tell when Congress will deal with this problem. It may deal with it at the next session. It has been under discussion for years, but we have not yet reached the point where we can deal with it scientifically, to the last ditch, so to speak, because the committee which has been considering the matter has not yet made its final report.

What I am contending for is that when we deal with these Government obligations we ought to deal with them all alike, and not make flesh of one and fowl of another. Certainly we should not put at a disadvantage the facilities we are providing now, largely for agriculture. The Senator from New York facetiously remarked to me the other day that this is largely a farm bill.

Mr. WALSH. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. WALSH. Has any estimate been made as to about what increase in the interest rates would be occasioned by classifying bonds of this kind, heretofore tax-exempt, as taxable?

Mr. BARKLEY. The Senator from Michigan has some figures on that, and I will ask him to respond to the question.

Mr. BROWN. Mr. President, the testimony of the Treasury experts, and of the experts produced by the Association of States Attorneys General, boiled down to about this statement, that an increase in the interest rate of somewhere between 10 and 20 percent would be occasioned by subjecting these bonds to all Federal and State taxation.

Mr. TAFT. Mr. President, will the Senator from Kentucky yield?

Mr. BARKLEY. In just a moment. I wish to say, in addition to that, in the same connection, that the bill eliminates all grants. We are eliminating the question of grants altogether. We are not proposing to give anything to anyone. We are proposing to lend. But as a substitute for grants we are proposing a low rate of interest, which will be sufficiently attractive as to enable the corporation to take advantage of these provisions and borrow the money.

If we are to wipe out that advantage by subjecting the bonds to taxes of all kinds, we might as well have continued to make grants, instead of providing this rather

cheaper way of enabling them to borrow money for the same purposes. I yield to the Senator from Ohio.

Mr. TAFT. Mr. President, in the first place, the bill authorizes bonds of a longer term, I think, than any existing Federal legislation, so that if the bonds are made tax-exempt, will they not be out for a longer time?

Mr. BARKLEY. These are indirect obligations, and I suppose the Senator is not treating them differently from the direct obligations of the Federal Government, some of which are long-term, certainly for longer terms, when first issued, than the bonds to be issued.

Mr. TAFT. It seems to me 30 years is the longest term in any outstanding Federal bonds, and this authorizes bonds maturing in 40 years.

Mr. BARKLEY. The R. F. C. is issuing bonds for only 30 years. The obligation of those who borrow under the Rural Electrification Administration, the individual organizations among farmers, are for 40 years, but the R. F. C. is authorized to issue its bonds for 30 years for all these purposes. That means they would have to refund and reissue the bonds at the end of 30 years in order to carry out the remaining 10-year program under which the Farm Security and Rural Electrification Administrations have been able to borrow money for 40 years. So that, so far as the R. F. C. is concerned, the limit is 30 years, and that is not as long as was provided in some of the direct obligations of the Government at the time they were issued. Of course, a good deal of time has elapsed, and it may be that a good many of them may not have a maturity beyond 30 years. But I do not think that affects the real principle involved in the amendment.

Mr. TAFT. Does not the Senator believe that bonds of this sort would usually be held by the banks; and that to a bank in many cases the taxability makes no difference whatever? To most banks of the United States today the taxability of a bond makes no difference.

Mr. BARKLEY. That raises the question whether the taxability of the bonds affects or does not affect the rate of interest. I think it is fairly well settled that it does.

Mr. TAFT. If they are sold to individuals it does. If they are sold to banks, it affects the rate of interest very little, because most banks are not making any income any way. They have so many Government bonds which are nontaxable, and they will not pay a tax on a small additional income of this kind. Their holdings of these bonds would be very small compared with their total holdings.

Mr. BARKLEY. If the amendment is agreed to I am sure that every farmer who borrows any money under the bill, whether for farm tenancy, for rehabilitation, or for rural electrification, will pay more interest than he would if the amendment were not in the measure.

Mr. TAFT. I do not think he would have to, but if he did, I do not think it would be over one-tenth of 1 percent, and I think the value of the protection afforded for many years to come would more than balance that one-tenth of 1 percent on this particular issue of bonds.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Virginia [Mr. BYRD]. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DAVIS (when his name was called). I have a general pair with the junior Senator from Kentucky [Mr. LOGAN]. I transfer that pair to the junior Senator from New Jersey [Mr. BARBOUR] and vote. I vote "yea."

Mr. GUFFEY (when his name was called). I have a pair with the junior Senator from New Hampshire [Mr. TOBEY]. I transfer that pair to the senior Senator from Louisiana [Mr. OVERTON] and vote. I vote "nay." I am not advised how either of these Senators would vote if present and voting.

Mr. HARRISON (when his name was called). Making the same announcement as before with regard to my gen-

eral pair with the Senator from Oregon [Mr. McNARY], I withhold my vote.

The roll call was concluded.

Mr. AUSTIN. I announce the general pair of the Senator from Wisconsin [Mr. WILEY] with the Senator from Rhode Island [Mr. GREEN].

The Senator from New Hampshire [Mr. TOBEY] would vote "yea" if present.

Mr. MINTON. I announce that the Senator from North Carolina [Mr. REYNOLDS] is detained from the Senate because of a death in his family.

The Senator from Arizona [Mr. ASHURST] is absent because of illness in his family.

The Senator from Arkansas [Mrs. CARAWAY] and the Senator from Rhode Island [Mr. GREEN] are absent on important public business.

The Senator from Ohio [Mr. DONAHEY], the Senator from Virginia [Mr. GLASS], the Senator from Kentucky [Mr. LOGAN], and the Senator from Louisiana [Mr. OVERTON] are unavoidably detained.

The Senator from Arkansas [Mrs. CARAWAY] has a pair with the Senator from Wisconsin [Mr. LA FOLLETTE]. I am advised that if present and voting, the Senator from Wisconsin would vote "yea." I am not advised how the Senator from Arkansas would vote.

The result was announced—yeas 44, nays 37, as follows:

YEAS—44

Adams	Danaher	Holt	Reed
Austin	Davis	Johnson, Calif.	Russell
Bailey	Downey	Johnson, Colo.	Shipstead
Borah	Frazier	King	Smith
Bridges	Gerry	Lee	Stewart
Brown	Gibson	Lodge	Taft
Bulow	Gillette	McCarran	Townsend
Burke	Gurney	McKellar	Vandenberg
Byrd	Hale	Maloney	Van Nuys
Capper	Hatch	Miller	Walsh
Clark, Mo.	Holman	Nye	White

NAYS—37

Andrews	George	Murray	Smathers
Bankhead	Guffey	Neely	Thomas, Okla.
Barkley	Hayden	Norris	Thomas, Utah
Bilbo	Herring	O'Mahoney	Truman
Bone	Hill	Pepper	Tydings
Byrnes	Hughes	Radcliffe	Wagner
Chavez	Lucas	Schwartz	Wheeler
Clark, Idaho	Lundeen	Schwellenbach	
Connally	Mead	Sheppard	
Ellender	Minton	Slattery	

NOT VOTING—15

Ashurst	Glass	Logan	Reynolds
Barbour	Green	McNary	Tobey
Caraway	Harrison	Overtton	Wiley
Donahey	La Follette	Pittman	

So Mr. BYRD's amendment was agreed to.

Mr. TOWNSEND. Mr. President, I was prepared to send to the desk a new amendment to the bill under discussion. The amendment related to foreign silver. However, I am informed that several of my friends feel that an agreement has been made not to vote again on the subject of my amendment during the discussion of the pending bill. Therefore I am not offering the amendment.

Mr. President, over the week end important and previously undisclosed information has come to my attention relating to the position of the State Department. The junior Senator from Virginia [Mr. BYRD] has inserted in the RECORD three telegrams from the chairman of the subcommittee [Mr. GLASS] whose hearings on my bill, S. 785, were discussed on the Senate floor last Friday. These telegrams not only disclose the attitude of the senior Senator from Virginia, but also disclose that Secretary of State Hull no longer requests delay on consideration of my proposal involving discontinuance of the purchase of foreign silver by the Government. These are most important developments affecting the silver policy.

This disclosure is so significant because, as I stated in the Senate Friday, it was only the belief that the Secretary of State opposed discontinuance of foreign-silver buying which prevented the subcommittee from making the favorable report on my bill which, on July 7, it had convened fully pre-

pared to do. Although the chairman of the subcommittee is not able to be present today, other members of the subcommittee are here to correct me if I misstate the matter when I demonstrate in a moment that a large majority of the subcommittee favored ending the purchase of foreign silver.

Ten Senators, or one-tenth of the Senate, comprise the subcommittee referred to. Of these 10, only 3 last Friday voted against my amendment to end the purchase of foreign silver. Six favored my amendment. That shows how the committee stood. Thus, the committee was 2 to 1 in favor of my amendment. And this was not a partisan position. Only 2 of the 10 members are Republicans.

Not one of the three members of the subcommittee who voted against my amendment last Friday had attended a single one of the hearings on silver, as the record of attendance printed in the hearings proves. I do not criticize those three Senators. But if those three Senators had attended the silver hearings, I have no doubt at all that the entire subcommittee would have been unanimous in condemning the foreign-silver program. I therefore deeply regret that the full subcommittee could not have attended all of the hearings on silver. But on the record which I send to the desk the subcommittee approval of my position is overwhelming.

I ask consent that there be printed in the RECORD at this point a table relating to the vote of the subcommittee's members on my amendment.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Record of attendance of members of Senate subcommittee at hearings on S. 785, April 1939

	Apr. 19	Apr. 20	Apr. 24	Apr. 27
Glass ¹	✓	✓	✓	-----
Barkley.....	-----	-----	-----	-----
Byrnes.....	-----	-----	-----	-----
Bankhead.....	-----	-----	-----	-----
Adams ¹	✓	✓	✓	✓
Brown ¹	✓	✓	-----	✓
Smathers ²	-----	-----	-----	-----
Miller ¹	✓	✓	✓	-----
Townsend ¹	✓	✓	✓	✓
Taft ¹	✓	✓	✓	-----

¹ Recorded in Congressional Record of July 28, 1939, p. 14426, as favoring the Townsend silver proposal.

² Did not vote July 28, 1939, on Townsend amendment.

Source: Hearings, pp. 1, 63, 89, and 127.

Mr. TOWNSEND. Mr. President, on January 17, 1939, I introduced Senate bill 785, calling for an end to all silver buying, domestic as well as foreign; calling for an embargo on silver imports and for the sale of surplus Government silver, and so forth. That bill was referred to the Committee on Banking and Currency.

My amendment, however, was quite a different proposal. It did not touch domestic silver at all. It did not provide for an embargo on imports. It called for no Government sales of silver. It was very simple. Its sole effect was to withdraw the availability of Government resources for the acquisition of any more of the foreign metal, for compelling reasons thoroughly expounded by witnesses during the hearings on my bill, Senate bill 785. Those hearings, incidentally, were immediately available to any member of the Banking and Currency Committee or of the Senate who wished to consult them. In printed form they were sent to each member of the full committee in the middle of June. Altogether, a thousand copies were printed. I have had a copy placed on each Senator's desk today. I defy any intelligent person to study these hearings and not be convinced that the further purchase of foreign silver is utterly indefensible.

The argument that buying foreign silver makes jobs for Americans has no validity. The war debts made jobs for Americans! The loans of the reckless twenties made jobs for Americans! So what? If buying foreign silver at 35 cents an ounce makes jobs for Americans, buying demonetized and useless foreign silver at \$3.50 an ounce would make jobs for 10 times as many Americans! Mr. Marriner S. Eccles stated to the Silver Subcommittee in his excellent testimony against the buying of any more foreign silver—and note that Mr.

Eccles was analyzing this very argument that buying foreign silver makes jobs for Americans (hearings on S. 785, p. 83):

We could take anything that a foreigner might give us that we did not need, for instance, and give him our goods. Now, whether it is silver or some other metal or some other product, we could take it as well as we could take silver, and as a result we would find a foreign market for our goods. Then we could issue money against what we took, whether it happened to be copper or sea shells or what not.

If the purchase of foreign silver is so important in order to furnish jobs for Americans, why has the National Foreign Trade Council in three successive conventions formally passed resolutions opposing it?

The able Senator from North Carolina [Mr. BAILEY] on June 26 made an able statement on silver and our export trade, and my esteemed colleague from Arizona [Mr. ASHURST] presented an equally effective discussion on the subject the same day.

Some Senators have supposed that because silver had a value abroad in ancient times, it always will have. How much do foreigners esteem silver? Let me read the exact words of Mr. Eccles on this point (hearings on S. 785, p. 81):

Silver is almost useless as an international reserve. * * * Foreign governments and central banks do not want it. * * * The Government [would] suffer heavy losses [if it sold its silver]. * * *

Other experts confirmed Mr. Eccles' testimony on this point (hearings on S. 785, pp. 149 and 8-11).

Mr. Eccles also told your committee:

Silver, of course, is not acceptable by the countries of the world in settlement of international balances (hearings on S. 785, p. 72).

He testified that important silver inflates bank reserves (hearings on S. 785, pp. 72-73, 78). Again I quote:

The tendency is very inflationary.

He added:

To the extent certainly that we buy foreign silver it seems to me to be wholly and totally unnecessary.

Mr. Eccles further testified (hearings on S. 785, p. 82):

We would be no worse off with a foreign loan that does not have to be repaid than by the acquisition of a supply of silver that we cannot sell.

Do not assume that our foreign silver buying is confined to Latin America. Only one-fifth of all the foreign silver we have bought since 1934 has come from Latin America. Most of the imports have come from Asia. Only last week I was reliably informed that 6,000,000 ounces of discarded foreign silver coin were being purchased by the Treasury from a distant nation now at war.

The Commerce Department reports imports of silver during June 1939 from the following non-Latin American sources: Belgium, France, Netherlands, Norway, United Kingdom, Canada, British Malaya, Japan, Philippine Islands, Australia, Yugoslavia, British India, Turkey, Union of South Africa, British South Africa, and others—Commerce Department Release No. 2402 of July 12, 1939.

The silver program has compelled the Treasury, directly or through the open market, to buy silver from foreign belligerents—Chinese silver from Japan, Ethiopian silver from Italy, Spanish silver from Russia, and cast-off bullion and coin from scores of foreign places. As long as the law stands, this compulsion stands. If Germany seizes silver from the church or from minorities tomorrow, the present silver law is there to help the Nazi government.

I say to the Senate that nowhere abroad does the silver standard survive. No Latin American country has the silver standard, and most Latin American countries are not dependent on silver mining. In no country in the world does a government buy silver as we do. We are unique in this request. We are out of step.

We do not need to continue this program in order to trade abroad. We had a very flourishing foreign trade for decades before the purchase of foreign silver was enacted. We traded with Latin America before the silver program ever was dreamt of; and we will trade with Latin America long after the program has become history. Trade is an exchange of useful

goods for useful goods. Selling without buying, however, cannot go on indefinitely.

Foreign silver buying, as Mr. Eccles so well put it, is definitely "a one-way street." What I want us to do is to turn around and get clear out of it.

The PRESIDING OFFICER. The time of the Senator from Delaware on the amendment has expired.

Mr. BARKLEY. Mr. President, I have no desire to discuss the matter which has been the subject of the Senator's address. I have a textual amendment growing out of a conversation between the Senator from Georgia [Mr. GEORGE] and myself with respect to certain provisions on page 14 of the bill. I send the amendment to the desk and ask to have it stated.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The CHIEF CLERK. In section 12, page 14, line 19, after the word "thereon" and the comma, it is proposed to strike out down to and including the word "payment" in line 2 on page 15, and to insert in lieu thereof the following:

An appropriation sufficient to cover such difference is hereby authorized to be made annually commencing with the fiscal year 1941, out of any money in the Treasury not otherwise appropriated; and when any such annual appropriation shall have been made the Secretary of the Treasury shall pay to the Corporation the amount so appropriated.

Mr. BARKLEY. Mr. President, in section 12, page 14, the bill provides:

The Secretary of the Treasury and the Federal Loan Administrator shall cause an examination to be made annually of the status of the program of recoverable expenditures for the financing of which notes, debentures, bonds, or other obligations of the Corporation shall have been issued under this Act. Each such examination shall be made as of the last day of December in each year, beginning with December 31, 1940. The Secretary of the Treasury and the Federal Loan Administrator shall submit a report of each such examination to the President and to the Congress. If any such examination discloses that the probable recovery of the cost of all works, projects, or undertakings carried out under this act, and of all loans made to aid in the financing of the same, together with the cash on hand in the special account or accounts of the Corporation provided for by section 4 of this Act, is less than the principal amount of all notes, debentures, bonds, or other obligations issued pursuant to this act, and interest thereon, the Secretary of the Treasury on behalf of the United States shall pay to the Corporation a sum equal to the amount of such difference.

In the following sentence it authorizes such an appropriation; but the draftsman of the bill evidently got the cart before the horse. The amendment which I have offered provides no change in the annual examinations by the Secretary of the Treasury and the Loan Administrator, but provides that when there is a difference between the value of the assets and the amount loaned, an appropriation shall first be authorized by Congress before the Secretary of the Treasury may pay the Corporation the difference. In that connection, of course, the committees and the Congress itself will have an opportunity to investigate the causes of the difference and the whole situation with respect to it. After Congress has gone into the matter and made an appropriation, only then is the Secretary of the Treasury authorized to pay the difference to the Corporation.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. BYRD. As I understand the language, "the Secretary of the Treasury, on behalf of the United States, shall pay to the corporation a sum equal to the amount of such difference" is eliminated.

Mr. BARKLEY. It is eliminated; and the language is changed so as to authorize Congress to make an appropriation; and in the event Congress makes the appropriation the Secretary of the Treasury is authorized to make payment.

Mr. BYRD. I am very glad the Senator from Kentucky discovered that error, because I have been calling it to his attention for 3 or 4 days.

Mr. BARKLEY. I appreciate that; and I think the amendment eliminates any difficulty about it. Under the new language the Secretary of the Treasury may make no

payment to the corporation involving any such difference until Congress has authorized it.

Mr. GEORGE. Mr. President, will the Senator yield? Mr. BARKLEY. I yield to the Senator from Georgia.

Mr. GEORGE. Mr. President, I had notified the Senator from Kentucky that I proposed to offer an amendment striking out the language in this section beginning in line 11. The amendment now offered by the Senator from Kentucky satisfactorily meets the suggestion I had in mind.

Mr. BARKLEY. I thank the Senator.

Mr. BYRNES. Mr. President—

Mr. BARKLEY. I yield to the Senator from South Carolina.

Mr. BYRNES. The language in the bill was an authorization and not an appropriation. The Senator agrees to that, does he not?

Mr. BARKLEY. Yes; except that the language was confusing in this respect, that the Secretary of the Treasury was authorized to make payment—

Mr. BYRNES. I suggest to the Senator from Kentucky that that language was taken from the language used in the Commodity Credit Corporation Act.

Mr. BARKLEY. Yes.

Mr. BYRNES. It has been construed to be an authorization and not an appropriation.

Mr. BARKLEY. I think the amendment meets that situation, so that it will be an authorization; and based upon that authorization Congress would have to make the appropriation before the Secretary of the Treasury could make payment.

Mr. KING. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. KING. Mr. President, I am very sorry that the purpose which the Senator from Georgia originally had in desiring to strike out all after the word "Congress," in line 11, on page 14, down to and including the word "section" on the next page, has been abandoned, and that he has consented to accept the suggestion which has just been made by the Senator from Kentucky.

The position of the Senator from Kentucky obviously conveys the idea that we are to expect losses and that there is to be a moral obligation upon the part of Congress to meet those losses by making appropriations from the Treasury.

Mr. BARKLEY. I will say to the Senator that there is no difference between the effect of this provision and that which has been carried in all similar laws. Of course, we are all hoping that there may not be a loss, but we all realize that there might be a loss. If the Corporation—by which I mean the Reconstruction Finance Corporation—in providing funds for these activities finds at the end of any year that there has been a loss, it shall report it to the President and to Congress. Congress is then authorized to make an appropriation. It does not have to do so. It can go into all the details of the transaction to determine whether or not there ought to be any payment.

Mr. KING. The Senator is correct in stating that the authorization has been found in some of the acts which have heretofore been enacted. I have recently discovered that the Commodity Credit Corporation invaded the Treasury upon two occasions. The first time, it obtained \$100,000,000 to make up the losses which had been sustained; and since then, as I understand, the losses aggregate a very large sum, larger than the former sum. They will have to be paid out of the Treasury of the United States.

So we are following a precedent which, in my opinion, is a bad one, committing the Government of the United States to the payment of losses in the corporations which we are setting up, and which obviously will incur, as corporations in the past have incurred, very large liabilities. I think we ought to have stricken out the entire provision.

Mr. BARKLEY. I will say to the Senator that the matter to which he refers is one which is now pending before the Appropriations Committee. If it does not provide the appropriation it will never be made.

Mr. KING. There is a moral obligation when we authorize such expenditures and say that Congress is authorized to make appropriations. When that authorization is given and expenditures are incurred and losses are sustained, we feel that there is a moral if not a legal obligation on the part of the Congress to make the appropriation.

SEVERAL SENATORS. Vote!

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Kentucky [Mr. BARKLEY].

The amendment was agreed to.

Mr. DAVIS. Mr. President, I have heretofore voted for all reasonable and necessary congressional appropriations to relieve unemployment. I have done so in good faith and with the hope that some measure of protection might be found in this way for the unemployed. It is now evident that the Government spending program of the past 6 years has left unsolved our major problems of agriculture, industry, transportation, and trade. The spending program has been nothing better than a series of temporary expedients, giving brief periods of aid from year to year. While the Government has been spending private enterprise has grown increasingly weak and dependent. The very life of private and business enterprise is being crushed out in this way. Further attempts to restore confidence by governmental spending of additional billions will defeat their desired purpose. They will destroy rather than create confidence. For these reasons I shall vote against the lending and spending bill.

Mr. CAPPER. Mr. President, in spite of the fact that the pending lending-spending bill has been considerably modified, and modified in the right direction, by amendments approved by the Senate, I still find myself constrained to vote against the measure.

This lending-spending bill is wrong in principle, unsound in practice, and deceptive in the governmental bookkeeping policy it proposes to put into effect.

In some respects it still is one of the most dangerous measures Congress has been asked to enact into law.

There is no use trying to gloss the situation over by specious arguments. This bill proposes to continue and, to whatever extent the final act authorizes loans, to enlarge the spending program which has been so largely responsible for these 9 years of Federal Government deficits.

The Government is to lend hundreds of millions, reaching into the billions, to governmental agencies, which will relend to corporations and to individuals at home and abroad for the purpose of spending. By providing loans instead of appropriations, an attempt is made to show that these additional billions of dollars will not be added to the public debt.

This feature of the measure, this double-dealing system of entering the amounts on the books, appeals to me as coming close to dishonest bookkeeping, although I believe it will not fool anyone.

Another dangerous feature of the measure, as it came to us originally, was the inclusion of so many possible beneficiaries, evidently with the intention of compelling Members of Congress to support the measure so that each Member's constituents would be assured of getting his share.

I think the Senate is to be congratulated upon the amendments already adopted. The bill to that extent is not so dangerous as it was when introduced. But the measure still is dangerous, unsound, and, I think, misdirected, even for the objectives sought to be attained. I shall vote against it, and I hope that enough other Senators will do so to end this kind of specious spending-lending legislation for good and all.

At this point, Mr. President, I ask unanimous consent to have printed in the RECORD a letter just received from S. R. Cellars, of Chetopa, Kans., who runs a harness and hardware business in Chetopa, in which he protests vigorously against the proposal upon which we are about to vote.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

CHETOPA, KANS., July 28, 1939.

Senator ARTHUR CAPPER,

Washington, D. C.

DEAR SIR: When this Congress convened, the papers held out the idea that it was to be an economy Congress; that expenditures were to be curtailed. Instead of that they have gone on spending money like drunken sailors, except that drunken sailors probably do not spend money they haven't got.

There is no more emergency now than there will be 10 years from now, and no more reason for expenditures to exceed revenues now than there will be at any other time. If this generation cannot pay their own way in the world, what does this administration expect the next generation to do? There is ample money in the banks to finance any enterprise under sound business conditions, and I can see no reason for the Government to continue to operate a loan business. No doubt the administration intends to put this money out where it will do the most good—in the 1940 campaign.

The past 6 years has demonstrated that it is just as foolish for a government to try to spend itself into prosperity as it is for an individual. There is little likelihood of any material improvement in business as long as our enormous indebtedness continues to increase.

Over 60 percent of this town is on relief of some kind. It is almost impossible to hire a man or woman to do a day's work in this town. They do not need to work; the Government is keeping them. They will not grow gardens or can fruits or vegetables. They do not need to; the Government gives them their groceries. All they have to do is to vote right when an election comes around.

We hope that some of the men at Washington may forget their political jobs for a little while and give some consideration to the welfare of the country before all the taxpayers have to go on relief.

Sincerely,

S. R. CELLARS.

The PRESIDENT pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, and was read the third time.

The PRESIDENT pro tempore. The question now is, Shall the bill pass?

Mr. AUSTIN. I ask for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. DAVIS (when his name was called). I have a general pair with the junior Senator from Kentucky [Mr. LOGAN]. If that Senator were present, he would vote "yea." I transfer that pair to the junior Senator from New Jersey [Mr. BARBOUR], who would vote "nay," and I am entitled to vote. I vote "nay."

Mr. GUFFEY (when his name was called). I have a pair with the junior Senator from New Hampshire [Mr. TOBEY], which I transfer to the senior Senator from Arkansas [Mrs. CARAWAY], and will vote. I vote "yea."

Mr. HARRISON (when his name was called). Making the same announcement as before as to my pair with the senior Senator from Oregon [Mr. McNARY], I withhold my vote.

Mr. KING (when his name was called). I have a pair with the junior Senator from North Carolina [Mr. REYNOLDS]. Not knowing how he would vote if present, I withhold my vote.

Mr. SHIPSTEAD (when his name was called). I have a pair with the senior Senator from Virginia [Mr. GLASS]. I am informed that if present he would vote "nay." I have been unable to obtain a transfer, so I withhold my vote. If permitted to vote, I would vote "yea."

The roll call was concluded.

Mr. HAYDEN. My colleague the senior Senator from Arizona [Mr. ASHURST] is detained from the Senate on account of illness in his family. If present, he would vote "yea."

Mr. MINTON. I announce that the Senator from North Carolina [Mr. REYNOLDS] is detained from the Senate because of a death in his family.

The Senator from Arkansas [Mrs. CARAWAY] and the Senator from Rhode Island [Mr. GREEN] are absent on important public business.

The Senator from North Carolina [Mr. BAILEY] and the Senator from Ohio [Mr. DONAHEY] are unavoidably detained. I am advised that, if present and voting, these Senators would vote "nay."

The Senator from Virginia [Mr. GLASS], the Senator from Kentucky [Mr. LOGAN], and the Senator from Louisiana [Mr. OVERTON] are unavoidably detained.

The Senator from Rhode Island [Mr. GREEN] is paired with the Senator from Wisconsin [Mr. WILEY], who is unavoidably detained. I am advised that, if present and voting, the Senator from Rhode Island and the Senator from Arkansas would vote "yea." I am not advised how the Senator from Wisconsin would vote.

Mr. AUSTIN. I desire to announce that the Senator from Oregon [Mr. McNARY] and the Senator from New Hampshire [Mr. TOBEY] would, if present, vote "nay."

The result was announced—yeas 52 nays 28, as follows:

YEAS—52

Adams	Ellender	McKellar	Russell
Andrews	Gillette	Maloney	Schwartz
Bankhead	Guffey	Mead	Schwellenbach
Barkley	Hatch	Miller	Sheppard
Bilbo	Hayden	Minton	Slattery
Bone	Herring	Murray	Smathers
Borah	Hill	Neely	Stewart
Brown	Hughes	Norris	Thomas, Okla.
Byrnes	Johnson, Colo.	Nye	Thomas, Utah
Chavez	La Follette	O'Mahoney	Truman
Clark, Idaho	Lee	Pepper	Wagner
Connally	Lundeen	Pittman	Walsh
Downey	McCarran	Radcliffe	Wheeler

NAYS—28

Austin	Danaher	Hale	Smith
Bridges	Davis	Holman	Taft
Bulow	Frazier	Holt	Townsend
Burke	George	Johnson, Calif.	Tydings
Byrd	Gerry	Lodge	Vandenberg
Capper	Gibson	Lucas	Van Nuys
Clark, Mo.	Gurney	Reed	White

NOT VOTING—16

Ashurst	Donahey	King	Reynolds
Bailey	Glass	Logan	Shipstead
Barbour	Green	McNary	Tobey
Caraway	Harrison	Overtown	Wiley

So the bill (S. 2864) was passed.

Mr. BARKLEY. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. BYRNES. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

NOTICE OF CALL OF THE CALENDAR

Mr. BARKLEY. Mr. President, for the benefit of Senators I wish to say that tomorrow we will have a call of the calendar for the consideration of unobjected-to bills.

Mr. AUSTIN. Mr. President, does not the Senator wish to consider the possibility of limiting the call to bills which have passed the House of Representatives, with a view to expediting the consideration of some 300 such bills? It would be well, in my opinion, if we should dispose of the House bills on the calendar, and not waste time in calling the Senate bills. I merely suggest that for the consideration of the Senator.

Mr. BARKLEY. I may say to the Senator from Vermont that it may be desirable a little later, before the adjournment, to set aside a call of the calendar for the consideration exclusively of bills which have passed the House, but at this juncture I doubt very much whether it would be advisable to do that. I appreciate the situation to which the Senator has called attention. I think we can attend to that without difficulty.

REGIONAL PLANNING, NORTHERN LAKE STATES (H. DOC. NO. 458)

The PRESIDENT pro tempore laid before the Senate the following message from the President of the United States, which was read, and, with the accompanying report, referred to the Committee on Agriculture and Forestry:

To the Congress of the United States:

Exploitation of our resources has created many problems, but none more pressing than in those areas of the United States where a basic resource has been mismanaged and the principal industry has moved or waned, leaving the working population stranded.

The cut-over region in the northern part of the States of Michigan, Minnesota, and Wisconsin was once the scene of a flourishing lumber industry. Today a large section of the population in that area depends for its very existence on

public aids, work relief, and security payments. The large expenditures for these purposes in the area have enabled these people to survive, but could not provide a satisfactory permanent solution to their problem.

Members of Congress representing the region appealed some time ago for aid in developing a program to assist the people in the area to find a way of life that would provide opportunity and reasonable security. The problem is now to make the best use of the natural and human resources of the area.

Over a year ago the National Resources Committee began a study of the region, establishing large local committees in order to insure accurate representation and true understanding of the local point of view. Individual reports were prepared by groups representing the cut-over areas in the three States. From these individual reports a summarized version of what is thought to be a feasible program has been developed. This summary constitutes the most recent in the series of regional reports by the National Resources Committee and is entitled "Regional Planning, Part VIII—the Report of the Northern Lakes States Regional Committee."

I am asking that the National Resources Planning Board keep in touch with the regional committee, which sponsored this report, to assist the regional committee in promoting correlation of activities of Federal, State, and local agencies concerned with bringing about the accomplishments desired. I commend the report to your careful study for whatever action may be appropriate.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, July 31, 1939.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to consider executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The President pro tempore laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORTS OF COMMITTEES

Mr. McCARRAN, from the Committee on the Judiciary, reported favorably the following nominations:

Harold Maurice Kennedy, of New York, to be United States attorney for the eastern district of New York, vice Michael F. Walsh, resigned; and

Campbell E. Beaumont, of California, to be United States district judge for the southern district of California, to fill a position created by the act of Congress of May 31, 1938.

Mr. PITTMAN, from the Committee on the Judiciary, reported favorably the nomination of Harry E. Pratt, of Alaska, to be United States district judge, division No. 4, District of Alaska.

Mr. BURKE, from the Committee on the Judiciary, reported favorably the nomination of Henry L. Dillingham, of Missouri, to be United States marshal for the western district of Missouri.

Mr. HUGHES, from the Committee on the Judiciary, reported favorably the nomination of Charles Stewart Lynch, of Delaware, to be United States attorney for the district of Delaware.

Mr. KING, from the Committee on the Judiciary, reported favorably the nomination of Herman E. Moore, of Illinois, to be judge of the District Court of the Virgin Islands of the United States, vice William H. Hastie, resigned.

Mr. WHEELER, from the Committee on Interstate Commerce, reported favorably the following nominations:

James Lawrence Fly, of Tennessee, to be a member of the Federal Communications Commission for the unexpired portion of the term of 7 years from July 1, 1935, vice Frank R. McNinch, resigned; and

Lee M. Eddy, of Missouri, to be a member of the Railroad Retirement Board for a term of 5 years from August 29, 1939 (reappointment).

Mr. McKELLAR, from the Committee on Post Offices and Post Roads, reported favorably the nominations of sundry postmasters.

The PRESIDENT pro tempore. The reports will be placed on the Executive Calendar.

If there be no further reports of committees, the clerk will state the nominations on the calendar.

WORK PROJECTS ADMINISTRATION

The legislative clerk read the nomination of Denis W. Delaney, of Massachusetts, to be work-project administrator for Massachusetts.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

POSTMASTERS

The legislative clerk proceeded to read sundry nominations of postmasters.

Mr. McKELLAR. Mr. President, I ask that the nomination of Edward E. Dewey to be postmaster at Decatur, Ark., go over. With that exception, I ask that the remaining nominations of postmasters on the calendar be confirmed en bloc.

The PRESIDING OFFICER. Without objection, with the exception of the nomination noted, the nominations of the postmasters are confirmed en bloc.

That completes the calendar.

ADJOURNMENT

Mr. BARKLEY. As in legislative session, I move that the Senate adjourn.

The motion was agreed to; and (at 6 o'clock and 18 minutes p. m.), the Senate adjourned until tomorrow, Tuesday, August 1, 1939, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate July 31 (legislative day, July 25), 1939

DIPLOMATIC AND FOREIGN SERVICE

James J. Murphy, Jr., of Pennsylvania, to be a Foreign Service officer of class 3, a consul, and a secretary in the Diplomatic Service of the United States of America.

ASSISTANT TO THE ATTORNEY GENERAL

Edward Gearing Kemp, of Michigan, to be the Assistant to the Attorney General, to fill an existing vacancy.

UNITED STATES DISTRICT JUDGE

Hon. J. H. S. Morison, of Alaska, to be United States district judge, division No. 2, District of Alaska. Judge Morison is now serving in this post under an appointment which expired July 26, 1939.

JUDGES OF THE MUNICIPAL COURT OF THE DISTRICT OF COLUMBIA

Hon. Nathan Cayton, of the District of Columbia, to be judge of the municipal court of the District of Columbia. He is now serving in this post under an appointment which expired July 19, 1939.

Hon. Ellen K. Raedy, of the District of Columbia, to be judge of the municipal court of the District of Columbia. Judge Raedy is now serving in this post under an appointment which expired July 19, 1939.

POSTMASTERS

ALABAMA

George W. Floyd to be postmaster at Alabama City, Ala., in place of G. W. Floyd. Incumbent's commission expired May 15, 1939.

Otis B. Hunter to be postmaster at Boaz, Ala., in place of O. B. Hunter. Incumbent's commission expired June 26, 1939.

Thomas A. Smith to be postmaster at Cullman, Ala., in place of T. A. Smith. Incumbent's commission expired January 22, 1939.

Ernest W. Thompson to be postmaster at Tuskegee, Ala., in place of E. W. Thompson. Incumbent's commission expired July 30, 1939.

Ethel D. Jolly to be postmaster at Warrior, Ala., in place of R. C. Montgomery, resigned.

ARKANSAS

Max B. Wurz to be postmaster at Bigelow, Ark., in place of M. B. Wurz. Incumbent's commission expired July 1, 1939.

Houston E. Mayhew to be postmaster at Greenbrier, Ark., in place of H. E. Mayhew. Incumbent's commission expired June 12, 1939.

Leila W. Freeman to be postmaster at Tyronza, Ark., in place of C. H. Justus. Incumbent's commission expired June 8, 1938.

Raymond M. Moore to be postmaster at Vilonia, Ark., in place of R. M. Moore. Incumbent's commission expired July 17, 1939.

CONNECTICUT

John W. Morris to be postmaster at Canaan, Conn., in place of J. W. Morris. Incumbent's commission expired June 26, 1939.

William J. Hernberg to be postmaster at Mansfield Depot, Conn., in place of W. J. Hernberg. Incumbent's commission expired March 28, 1939.

Frederick C. Flynn to be postmaster at Thomaston, Conn., in place of F. C. Flynn. Incumbent's commission expired June 26, 1939.

DELAWARE

Harry K. Heite to be postmaster at Dover, Del., in place of H. K. Heite. Incumbent's commission expired July 18, 1939.

FLORIDA

Undine D. Watson to be postmaster at Cedar Keys, Fla., in place of G. T. Lewis, removed.

Robert L. McLester to be postmaster at West Palm Beach, Fla., in place of O. B. Carr. Incumbent's commission expired May 9, 1938.

James M. Boen to be postmaster at Wildwood, Fla., in place of P. H. Smith, resigned.

GEORGIA

John Frank Chappell to be postmaster at Americus, Ga., in place of J. F. Chappell. Incumbent's commission expired March 23, 1939.

John H. Jones to be postmaster at Fort Valley, Ga., in place of E. L. Fagan, resigned.

ILLINOIS

Benjamin H. Gardner to be postmaster at Ava, Ill., in place of B. H. Gardner. Incumbent's commission expired March 18, 1939.

Earl Grimm to be postmaster at Fairview, Ill., in place of Earl Grimm. Incumbent's commission expired May 22, 1938.

Arden O. Murray to be postmaster at Mazon, Ill., in place of J. V. Barr, resigned.

Howard M. Fox to be postmaster at Nashville, Ill., in place of B. B. Holston, deceased.

John L. Anheuser to be postmaster at O'Fallon, Ill., in place of J. L. Anheuser. Incumbent's commission expired July 9, 1939.

Otto F. Young to be postmaster at Stonington, Ill., in place of O. F. Young. Incumbent's commission expired June 26, 1939.

James F. Boyle to be postmaster at Sycamore, Ill., in place of J. F. Boyle. Incumbent's commission expires August 26, 1939.

George H. Widmayer to be postmaster at Virginia, Ill., in place of G. H. Widmayer. Incumbent's commission expired June 26, 1939.

INDIANA

Daniel L. Slaybaugh to be postmaster at Akron, Ind., in place of K. B. Gast, resigned.

Edgar D. Logan to be postmaster at Goshen, Ind., in place of E. D. Logan. Incumbent's commission expired June 18, 1939.

Norma L. A. Koerner to be postmaster at Huntingburg, Ind., in place of N. L. A. Koerner. Incumbent's commission expired July 18, 1939.

Albert Rumbach to be postmaster at Jasper, Ind., in place of Albert Rumbach. Incumbent's commission expired May 15, 1939.

Anthony M. Schuh to be postmaster at Kentland, Ind., in place of A. M. Schuh. Incumbent's commission expires August 27, 1939.

Bayard F. Russell to be postmaster at Laurel, Ind., in place of B. F. Russell. Incumbent's commission expired July 27, 1939.

Lawrence H. Barkley to be postmaster at Moores Hill, Ind., in place of L. H. Barkley. Incumbent's commission expired July 22, 1939.

Firm I. Troup to be postmaster at Nappanee, Ind., in place of F. I. Troup. Incumbent's commission expired May 2, 1939. Retta M. House to be postmaster at North Salem, Ind., in place of R. M. House. Incumbent's commission expired January 18, 1939.

Jesse M. Trinkle to be postmaster at Paoli, Ind., in place of J. M. Trinkle. Incumbent's commission expired July 27, 1939.

Earl C. McLain to be postmaster at Swayzee, Ind., in place of E. C. McLain. Incumbent's commission expired June 18, 1938.

Iva S. Turmail to be postmaster at Vallonia, Ind., in place of I. S. Turmail. Incumbent's commission expired July 1, 1939.

Louis L. Langdon to be postmaster at Wheatland, Ind., in place of L. L. Langdon, Jr. Incumbent's commission expired February 18, 1939.

IOWA

Eunice Hamilton to be postmaster at Bedford, Iowa, in place of Eunice Hamilton. Incumbent's commission expired June 25, 1939.

Amanda J. Belt to be postmaster at Glenwood, Iowa, in place of A. J. Belt. Incumbent's commission expired February 9, 1939.

Hal W. Campbell to be postmaster at Harlan, Iowa, in place of H. W. Campbell. Incumbent's commission expired January 18, 1939.

William J. Hollander to be postmaster at Sheldon, Iowa, in place of W. J. Hollander. Incumbent's commission expired March 14, 1938.

John F. Zimpfer to be postmaster at Walker, Iowa, in place of J. F. Zimpfer. Incumbent's commission expired January 18, 1939.

Dudley A. Reid to be postmaster at West Des Moines, Iowa, in place of D. A. Reid. Incumbent's commission expired May 17, 1938.

Mary C. Ilgen Fritz to be postmaster at Winterset, Iowa, in place of M. C. Ilgen Fritz. Incumbent's commission expired May 2, 1939.

KANSAS

Norval W. Woodworth to be postmaster at Plains, Kans., in place of N. W. Woodworth. Incumbent's commission expires August 27, 1939.

LOUISIANA

Mrs. Willie B. Killgore to be postmaster at Lisbon, La. Office became Presidential July 1, 1938.

MAINE

Louis A. White to be postmaster at Eastport, Maine, in place of L. A. White. Incumbent's commission expired February 13, 1939.

David F. Kelley to be postmaster at Gardiner, Maine, in place of D. F. Kelley. Incumbent's commission expired January 17, 1939.

Archie R. King to be postmaster at Saco, Maine, in place of A. R. King. Incumbent's commission expired March 27, 1939.

MARYLAND

Irvin R. Rudy to be postmaster at Oakland, Md., in place of F. H. Matthews, resigned.

Nena M. Jamison to be postmaster at Walkersville, Md., in place of N. M. Jamison. Incumbent's commission expired July 19, 1939.

MASSACHUSETTS

Thomas J. Drummey to be postmaster at East Pepperell, Mass., in place of T. J. Drummey. Incumbent's commission expired June 12, 1938.

Armand L. Bengle to be postmaster at Indian Orchard, Mass., in place of A. L. Bengle. Incumbent's commission expired June 6, 1938.

Frank C. Sheridan to be postmaster at Maynard, Mass., in place of F. C. Sheridan. Incumbent's commission expired June 26, 1939.

Lawrence Cotter to be postmaster at North Brookfield, Mass., in place of Lawrence Cotter. Incumbent's commission expired June 14, 1938.

Josephine E. Dempsey to be postmaster at South Ashburnham, Mass., in place of J. E. Dempsey. Incumbent's commission expired March 7, 1939.

Anna Wohlrab to be postmaster at South Sudbury, Mass., in place of Anna Wohlrab. Incumbent's commission expires August 21, 1939.

James H. Anderson to be postmaster at Ware, Mass., in place of J. H. Anderson. Incumbent's commission expires August 12, 1939.

MICHIGAN

Helen M. Kane to be postmaster at Algonac, Mich., in place of H. M. Kane. Incumbent's commission expired April 26, 1939.

George P. Siagkris to be postmaster at Base Line, Mich., in place of G. P. Siagkris. Incumbent's commission expired April 26, 1939.

Carl V. Moody to be postmaster at Copemish, Mich., in place of C. V. Moody. Incumbent's commission expired May 29, 1939.

Vedah W. Halterman to be postmaster at De Witt, Mich., in place of V. W. Halterman. Incumbent's commission expired May 29, 1939.

Fred W. Schroeder to be postmaster at East Detroit, Mich., in place of F. W. Schroeder. Incumbent's commission expired April 26, 1939.

Joseph F. Roberts to be postmaster at Elkton, Mich., in place of J. F. Roberts. Incumbent's commission expired April 26, 1939.

Norman C. Lee to be postmaster at Farmington, Mich., in place of N. C. Lee. Incumbent's commission expired April 26, 1939.

James L. Heslop to be postmaster at Gladwin, Mich., in place of J. L. Heslop. Incumbent's commission expired April 26, 1939.

Leo G. Burns to be postmaster at Kingston, Mich., in place of L. G. Burns. Incumbent's commission expired April 26, 1939.

Clarence J. Maloney to be postmaster at Mass, Mich., in place of C. J. Maloney. Incumbent's commission expired March 28, 1939.

Edwin Boyle to be postmaster at Milford, Mich., in place of Edwin Boyle. Incumbent's commission expired May 15, 1938.

Frank C. Miller to be postmaster at Steventon, Mich., in place of F. C. Miller. Incumbent's commission expired June 17, 1939.

MINNESOTA

Marie H. Sands to be postmaster at Alvarado, Minn., in place of M. H. Sands. Incumbent's commission expired March 23, 1939.

Ove H. Voigt to be postmaster at Dent, Minn., in place of O. H. Voigt. Incumbent's commission expired May 29, 1939.

Jacob Ohlsen to be postmaster at Luverne, Minn., in place of Jacob Ohlsen. Incumbent's commission expired March 12, 1939.

MISSISSIPPI

Frederick J. Fugitt to be postmaster at Booneville, Miss., in place of F. J. Fugitt. Incumbent's commission expired June 18, 1939.

Minnie L. Beall to be postmaster at Lexington, Miss., in place of M. L. Beall. Incumbent's commission expired July 26, 1939.

James C. Edwards to be postmaster at Pontotoc, Miss., in place of J. C. Edwards. Incumbent's commission expired July 11, 1939.

MISSOURI

Ethel Rose to be postmaster at Bogard, Mo., in place of S. W. Vaughn. Incumbent's commission expired June 18, 1938.

Howard L. Stephens to be postmaster at Eldon, Mo., in place of H. L. Stephens. Incumbent's commission expired June 5, 1939.

Frank M. Story to be postmaster at Kahoka, Mo., in place of F. M. Story. Incumbent's commission expired June 26, 1939.

William G. Warner to be postmaster at Lamar, Mo., in place of W. G. Warner. Incumbent's commission expired May 9, 1939.

Harvey F. Nalle to be postmaster at Pattonsburg, Mo., in place of Harvey Nalle. Incumbent's commission expires August 21, 1939.

Oliver A. Cook to be postmaster at Portageville, Mo., in place of O. A. Cook. Incumbent's commission expired February 28, 1939.

MONTANA

Shebel Rehal to be postmaster at Chester, Mont., in place of Shebel Rehal. Incumbent's commission expired January 17, 1939.

NEBRASKA

Henry A. Georgi to be postmaster at Dawson, Nebr., in place of H. A. Georgi. Incumbent's commission expired June 28, 1939.

NEW HAMPSHIRE

Roland A. Lewin to be postmaster at Hanover, N. H., in place of R. A. Lewin. Incumbent's commission expires August 27, 1939.

Arthur L. Prince to be postmaster at Manchester, N. H., in place of A. L. Prince. Incumbent's commission expires August 15, 1939.

NEW JERSEY

Thomas C. Stewart to be postmaster at Atlantic City, N. J., in place of T. C. Stewart. Incumbent's commission expires August 26, 1939.

Emma E. Hyland to be postmaster at Camden, N. J., in place of E. E. Hyland. Incumbent's commission expires August 16, 1939.

John F. O'Toole to be postmaster at Cliffside Park, N. J., in place of T. V. Chieffo. Incumbent's commission expired May 10, 1936.

Edward J. Shea to be postmaster at Rochelle Park, N. J., in place of E. J. Shea. Incumbent's commission expired February 25, 1939.

Joseph M. Carson to be postmaster at Trenton, N. J., in place of E. J. Jennings. Incumbent's commission expired April 27, 1938.

NEW YORK

Freida L. Brickner to be postmaster at Bolton Landing, N. Y., in place of W. R. Krohn. Incumbent's commission expired June 18, 1938.

John L. Mack to be postmaster at Gasport, N. Y., in place of J. L. Mack. Incumbent's commission expired June 28, 1939.

David J. Fitzgerald, Jr., to be postmaster at Glens Falls, N. Y., in place of D. J. Fitzgerald, Jr. Incumbent's commission expired July 27, 1939.

W. Armand Downes to be postmaster at Hilton, N. Y., in place of W. A. Downes. Incumbent's commission expired January 22, 1939.

Charles A. Denegar to be postmaster at Madalin, N. Y., in place of C. A. Denegar. Incumbent's commission expired May 17, 1939.

Arthur J. Belgard to be postmaster at Ogdensburg, N. Y., in place of A. J. Belgard. Incumbent's commission expired April 6, 1939.

Thomas F. Connolly to be postmaster at Port Chester, N. Y., in place of T. F. Connolly. Incumbent's commission expired May 17, 1939.

James Arthur Egan to be postmaster at Sherrill, N. Y., in place of J. A. Egan. Incumbent's commission expired July 18, 1939.

NORTH CAROLINA

Wade C. Hill to be postmaster at Canton, N. C., in place of W. C. Hill. Incumbent's commission expired January 16, 1939.

Fletcher C. Mann to be postmaster at Pittsboro, N. C., in place of F. C. Mann. Incumbent's commission expired June 5, 1939.

NORTH DAKOTA

Julius C. Pfeifer to be postmaster at Richardton, N. Dak., in place of J. C. Pfeifer. Incumbent's commission expired March 8, 1939.

John A. Corrigan to be postmaster at Stanley, N. Dak., in place of J. A. Corrigan. Incumbent's commission expired May 7, 1938.

Clifton G. Foye to be postmaster at Steele, N. Dak., in place of C. G. Foye. Incumbent's commission expired March 18, 1939.

Howard W. Miller to be postmaster at Werner, N. Dak., in place of Howard Miller. Incumbent's commission expired June 18, 1939.

Bernhard Ottis to be postmaster at Wyndmere, N. Dak., in place of Bernhard Ottis. Incumbent's commission expired February 7, 1939.

OHIO

Ray W. Senn to be postmaster at Attica, Ohio, in place of R. W. Senn. Incumbent's commission expired May 13, 1939.

Elmer E. Eller to be postmaster at Cuyahoga Falls, Ohio, in place of E. E. Eller. Incumbent's commission expired February 12, 1939.

OKLAHOMA

Thomas A. Gray to be postmaster at Duncan, Okla., in place of T. A. Gray. Incumbent's commission expires August 13, 1939.

OREGON

Viva R. Todd to be postmaster at Cloverdale, Oreg., in place of Viva Todd. Incumbent's commission expired July 19, 1939.

George E. Travis to be postmaster at St. Benedict, Oreg., in place of G. E. Travis. Incumbent's commission expired May 1, 1939.

Harry M. Stewart to be postmaster at Springfield, Oreg., in place of H. M. Stewart. Incumbent's commission expired January 18, 1939.

PENNSYLVANIA

Robert E. Holland to be postmaster at Kane, Pa., in place of R. E. Holland. Incumbent's commission expired June 6, 1938.

William E. Rutter to be postmaster at Kinzers, Pa., in place of W. E. Rutter. Incumbent's commission expired January 29, 1939.

John K. Newcomer to be postmaster at McClellandtown, Pa., in place of A. E. Cavalcante, removed.

Stanley B. Janowski to be postmaster at Nanticoke, Pa., in place of S. B. Janowski. Incumbent's commission expired April 6, 1939.

Sarah S. Broadbelt to be postmaster at Newtown Square, Pa., in place of H. O. Broadbelt, removed.

Vera C. Remaley to be postmaster at Penn, Pa., in place of V. C. Remaley. Incumbent's commission expired July 27, 1939.

Karl Smith to be postmaster at Sharpsville, Pa., in place of Karl Smith. Incumbent's commission expired February 21, 1939.

Catherine V. Lybarger to be postmaster at Vintondale, Pa., in place of C. V. Lybarger. Incumbent's commission expired July 27, 1939.

George J. Moses to be postmaster at West Chester, Pa., in place of G. J. Moses. Incumbent's commission expired August 22, 1939.

SOUTH DAKOTA

Adolph M. Kaufmann to be postmaster at Colman, S. Dak., in place of A. M. Kaufmann. Incumbent's commission expired May 16, 1938.

TENNESSEE

Miss Willie Ozelle Barnes to be postmaster at Cowan, Tenn., in place of W. O. Barnes. Incumbent's commission expired July 3, 1939.

Joseph E. McCracken to be postmaster at Cumberland City, Tenn., in place of J. E. McCracken. Incumbent's commission expired May 29, 1939.

John F. Dunbar to be postmaster at Grand Junction, Tenn., in place of J. F. Dunbar. Incumbent's commission expired June 17, 1939.

Irene Miller to be postmaster at La Follette, Tenn., in place of Irene Miller. Incumbent's commission expired January 24, 1939.

George S. Wilson to be postmaster at McMinnville, Tenn., in place of W. G. McDonough, resigned.

Eugene L. McDade to be postmaster at Mountain City, Tenn., in place of E. L. McDade. Incumbent's commission expired February 9, 1939.

Gaston H. Rhodes to be postmaster at Whiteville, Tenn., in place of G. H. Rhodes. Incumbent's commission expired January 16, 1939.

TEXAS

Richard P. Park to be postmaster at Aransas Pass, Tex., in place of R. P. Park. Incumbent's commission expired January 25, 1939.

George R. Kocurek to be postmaster at Caldwell, Tex., in place of G. R. Kocurek. Incumbent's commission expired March 25, 1939.

Albert P. Hinton to be postmaster at Columbus, Tex., in place of A. P. Hinton. Incumbent's commission expired March 21, 1939.

John H. Jones to be postmaster at Dickinson, Tex., in place of R. C. Owens, removed.

Marvin B. Smith to be postmaster at Farmersville, Tex., in place of M. B. Smith. Incumbent's commission expired July 18, 1939.

Mildred H. Freeman to be postmaster at Freer, Tex., in place of M. H. Freeman. Incumbent's commission expired June 18, 1939.

William C. Allen to be postmaster at Hearne, Tex., in place of W. C. Allen. Incumbent's commission expired May 2, 1939.

DeLouise M. Beall to be postmaster at Jacksonville, Tex., in place of C. F. Adams. Incumbent's commission expired January 8, 1936.

George H. Boynton to be postmaster at Hamilton, Tex., in place of T. M. White, resigned.

Percy L. Walker to be postmaster at Luling, Tex., in place of P. L. Walker. Incumbent's commission expired May 13, 1939.

William H. Wentland to be postmaster at Manor, Tex., in place of W. H. Wentland. Incumbent's commission expired May 13, 1939.

Mary E. Pennington to be postmaster at Matagorda, Tex., in place of C. E. Baker, removed.

Loyal N. Tyer to be postmaster at Mont Belvieu, Tex., in place of L. N. Tyer. Incumbent's commission expired January 25, 1939.

Lemuel O. Robbins to be postmaster at Raymondville, Tex., in place of L. O. Robbins. Incumbent's commission expired June 18, 1939.

Frank Clark to be postmaster at Rockwall, Tex., in place of Frank Clark. Incumbent's commission expired June 18, 1939.

Alejo C. Garcia to be postmaster at San Diego, Tex., in place of A. C. Garcia. Incumbent's commission expired February 12, 1939.

Albert G. Lee to be postmaster at Sweetwater, Tex., in place of T. H. Bowen. Incumbent's commission expired July 18, 1939.

Pearson P. Pollard to be postmaster at Waskom, Tex., in place of P. P. Pollard. Incumbent's commission expired January 25, 1939.

UTAH

Howard Mattsson to be postmaster at Salina, Utah, in place of F. R. Peterson, deceased.

VIRGINIA

Jay C. Litts to be postmaster at Norton, Va., in place of J. C. Litts. Incumbent's commission expired February 18, 1939.

WASHINGTON

Fred E. Booth to be postmaster at Castle Rock, Wash., in place of F. E. Booth. Incumbent's commission expired March 21, 1939.

Clyde F. Shrauger to be postmaster at Mount Vernon, Wash., in place of C. F. Shrauger. Incumbent's commission expires August 27, 1939.

Dorothy H. Lynch to be postmaster at Soap Lake, Wash., in place of D. H. Lynch. Incumbent's commission expired July 27, 1939.

WEST VIRGINIA

Henry S. Lambert to be postmaster at Kenova, W. Va., in place of B. L. Osburn. Incumbent's commission expired June 18, 1938.

WISCONSIN

Joseph Schmidkofer to be postmaster at Chilton, Wis., in place of Joseph Schmidkofer. Incumbent's commission expired June 18, 1939.

George E. Shaw to be postmaster at Cornell, Wis., in place of G. A. Harding, resigned.

Herman W. Paff to be postmaster at Elk Mound, Wis., in place of H. W. Paff. Incumbent's commission expired April 28, 1938.

Ira A. Kenyon to be postmaster at Mellen, Wis., in place of I. A. Kenyon. Incumbent's commission expired June 15, 1938.

John P. Snyder to be postmaster at Oconomowoc, Wis., in place of J. P. Snyder. Incumbent's commission expired June 18, 1939.

Herman H. Lins to be postmaster at Spring Green, Wis., in place of H. H. Lins. Incumbent's commission expired June 12, 1938.

Robert L. Graves to be postmaster at Viroqua, Wis., in place of R. L. Graves. Incumbent's commission expired Jan. 18, 1939.

Christian R. Mau to be postmaster at West Salem, Wis., in place of C. R. Mau. Incumbent's commission expired January 18, 1939.

CONFIRMATIONS

Executive nominations confirmed by the Senate July 31 (legislative day July 25), 1939

WORK PROJECTS ADMINISTRATION

Denis W. Delaney to be work projects administrator for Massachusetts.

POSTMASTERS

CALIFORNIA

Leon L. Allen, Agnew.

Bertha A. Williams, Cloverdale.

Raymond M. Krollpfeiffer, Del Monte.

Neil A. MacMillan, Eureka.

Ralph N. Swanson, Hollydale.

Earl F. Fishel, Lomita.

Julia A. Monahan, Newcastle.

Matie L. McCormick, Ojai.

Carl J. Hase, Ontario.

Austin R. Gallaher, Orange Cove.

John Ransom Casey, Pomona.

Robert E. O'Connell, Jr., Redwood City.

Robert B. Finnegan, Valley Springs.

COLORADO

Rose Richards, Buena Vista.

CONNECTICUT

John A. Jackson, Durham.
Clifford E. Brooks, Moodus.
John A. Leahy, Plainfield.
Willard Gardiner Davis, Pomfret Center.
Patrick T. Malley, Thompsonville.
Paul DeF. Wren, Westbrook.
Edward McElwee, Westport.
Agnes Reilly Collins, Woodmont.

DELAWARE

Harry T. Swain, Georgetown.

FLORIDA

Hal Hoffman, Apalachicola.
George H. Stokes, Callahan.
Reuben G. Bradford, Carrabelle.
Mayo Ferdon, Crestview.
William H. Owens, Goulds.
Fred Ewing, Hialeah.
Bennett L. David, Hollywood.
Fred J. Dion, Key West.
Vivan L. Roberts, Lynn Haven.
Paul G. J. Mayer, New Port Richey.
Abraham C. Fiske, Rockledge.

IDAHO

Guy E. Van Buskirk, Pottlach.
LeRoy C. Harris, Wallace.

ILLINOIS

Fred Rohr, Ashkum.
James R. Freddy, Atkinson.
Clarence O. Dreher, Atlanta.
John C. Kepner, Blue Mound.
Michael Colgrass, Brookfield.
Roy Ansel Brooks, Carthage.
Jay R. Cooper, Chapin.
Raymond R. Staubus, Cissna Park.
Thomas W. Cramer, Clinton.
Claude Shaffner, Dallas City.
Rose E. Gorman, Farmersville.
Mervin F. Hinton, Fisher.
Henry Swanson, Geneva.
Everett L. Cameron, Gillespie.
Francis L. Wright, Henry.
John Petry, Hoopeston.
Curtis E. Roller, Hume.
Anthony H. Koselke, Lansing.
Wilber J. Strange, Le Roy.
Lois M. La Tourette, London Mills.
Leroy McNary, Marshall.
Clem Wiser, Martinsville.
James D. Larry, Sr., Melrose Park.
John R. Goodson, Newman.
Conrad W. Knuth, Ohio.
William E. Hollerich, Spring Valley.
James Elmer Davis, Versailles.
Arthur E. Swan, Waynesville.
Eric Donovan Stover, Western Springs.
Robert L. Cooper, Williamsville.

INDIANA

Alpha W. Jackson, Birdseye.
Joseph F. Winkler, Hammond.
Herbert J. Harris, Hillsboro.
Harold A. Rowe, Medaryville.
Louis W. Thomas, Mount Vernon.
Clarence Pook, South Whitley.
George F. Coyle, Tell City.

IOWA

Anna Reardon, Auburn.
Herbert F. Starnier, Shelby.

LXXXIV—664

KANSAS

Richard R. Bourne, Delphos.
David Earl Moore, Dexter.
John O. Derfelt, Galena.
Cornelius Foster, Geneseo.
Elizabeth C. Johnson, Hartford.
Wilbert F. Kunze, Kensington.
Hugh Lee, Louisburg.
Charles L. Krouse, Onaga.
John L. Larson, Randolph.
Henry F. Dodson, South Haven.
Thomas W. Ross, Sterling.
Victor Gibson, Sylvia.
Clayton Wyatt, Valley Falls.
Wilders D. McKimens, Westmoreland.

LOUISIANA

Donald Lavine, Oil City.
Thomas L. Hardin, Sicily Island.

MAINE

Lewis W. Haskell, Jr., Auburn.
Harold C. Collins, Bingham.
Ervin O. Hamilton, Chebeague Island.
Ava P. Galusha, Clinton.
Edna G. Chase, Limestone.
Adelbert L. Mains, Mechanic Falls.
Louis N. Redonnett, Mount Vernon.
Velorus T. Shaw, Prouts Neck.
Aubrey Kelley, Solon.

MARYLAND

John B. T. Merrick, Church Hill.
George M. Mowell, Glencoe.

MISSISSIPPI

William P. Young, Liberty.

MONTANA

Mary A. Fetterman, Saco.
Frank R. Murray, Townsend.

NEBRASKA

Clarke W. Kelley, Beaver City.
John F. McGill, Center.
Gladys G. Rockhold, Comstock.
George J. Scott, Crawford.
John H. Hutchings, Falls City.
James Melvern West, Herman.
Herman Stahly, Milford.
Harold Glenn Butler, Newport.
Thomas Glen Roberts, Sterling.
Charles J. Mullaney, Walthill.
Peter A. Meehan, York.

NEVADA

Delevan F. Defenbaugh, Winnemucca.

NEW JERSEY

Lawrence R. Ress, Chatham.
John S. Hains, Hillsdale.
Martin L. Mulvey, Landing.
August F. Schweers, Little Silver.
Edward J. Turpin, Mays Landing.
Marion M. Klockner, Mercerville.
Frank H. Moran, Middlesex.
Nicholas T. Ballentine, Peapack.

NORTH CAROLINA

John C. Kolean, Carolina Beach.
Lillington Hendrix, Cooleemee.
William C. Stockton, Ellenboro.
William M. Shaw, Fayetteville.
Riddick W. Gatling, Gates.
John R. Teague, Henderson.
Ethel R. Edwards, Pinebluff.
Leslie G. Shell, Roanoke Rapids.
Leonard T. Yaskell, Southport.
George W. Stuart, Troy.

RHODE ISLAND

Joseph E. Murray, Ashaway.

SOUTH CAROLINA

Gordon W. Hungerpillar, Cameron.

VERMONT

Berne B. Titus, Fairlee.

George H. St. Pierre, Island Pond.

WISCONSIN

Thomas J. Weiler, Auburndale.

Isabelle C. Spang, Franksville.

Raymond W. Burt, Goodman.

Philip A. Panetti, Hustisford.

Erwin A. Kamholz, Luck.

John J. Steiner, Mauston.

Clarence G. Shultz, Neenah.

Mary Hanley, Roberts.

Frank L. Daniels, Weyerhaeuser.

Joseph P. Wheir, Wisconsin Rapids.

HOUSE OF REPRESENTATIVES

MONDAY, JULY 31, 1939

The House met at 12 o'clock noon.

The Reverend Bernard Braskamp, D. D., pastor of the Gunton-Temple Presbyterian Church, Washington, D. C., offered the following prayer:

Almighty God, our Father, whose guiding intelligence is the supreme need of our minds for the solution of life's problems, we pray that Thou wilt be present and favorable unto Thy servants as they seek Thy will in facing the duties and responsibilities of another day.

Enrich our hearts with those virtues whereby Thou and Thy will art known and may we have within us the testimony that we are numbered among those who do justly, love mercy, and walk humbly with God.

May men and nations be drawn together in one high and holy aspiration to know and to do Thy will more perfectly, for Thy ways are ways of pleasantness and Thy paths are paths of peace.

Hasten that blessed day when we shall be one in spirit with Him, who said, "Thy will be done." To Thy name, through Christ our Lord, shall be all the glory. Amen.

The Journal of the proceedings of Saturday, July 29, 1939, was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative Clerk, announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 1558) entitled "An act to provide for the acceptance of an easement with respect to certain lands in New Mexico, and for other purposes."

PERMISSION TO ADDRESS THE HOUSE

Mr. RANKIN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

EXTENSION OF THE CIVIL SERVICE

Mr. REES of Kansas. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. REES of Kansas. Mr. Speaker, I have asked unanimous consent to address the House for the purpose of directing your attention to H. R. 960, a so-called civil-service bill, which has been recommended for passage.

This bill gives the President power to place approximately 300,000 politically appointed Federal employees under civil service. The only requirement is that they take noncompetitive examinations. If they make grades of 70 or more,

they are then entitled to all the rights and privileges granted to civil-service employees who passed a competitive examination. Mind you, if they do not pass the examination with at least a grade of 70, they are not discharged from their jobs but permitted to retain them, except that they do not attain civil-service status. Stenographers, clerks, and other employees who have been working 6 months and receive a grade of 70 in a noncompetitive examination can hold their jobs, even though there are eligible registers for such positions, with thousands of names of persons who made a higher grade in a competitive examination.

It is my contention that the policy is unsound, and this procedure is unfair and unwarranted. I do not contend that all of these 300,000 employees are not qualified for the jobs they are holding. The fact remains that they secured the positions, whether qualified or not, principally because of their political affiliations. Under this measure, you are giving them the same rights, the same privileges, and the same status as those persons who secured their jobs under a competitive civil-service merit system.

The big question involved is whether or not you believe this Government should maintain and improve a competitive civil-service merit system, or whether you think these thousands of employees, who knew when they received their appointments that they were more or less temporary, should, by one stroke of the pen, be given permanent status and position, together with all the advantages provided under our civil-service merit system.

These employees, of course, would be entitled to the benefits of the retirement system. Not only that, but, by making contribution to the Federal Government, they are entitled to these benefits accrued since they were employed.

The sponsors of this bill will tell you that other administrations have blanketed-in employees without competitive civil-service examinations. But let me suggest right here and now that this blanketing-in of 300,000 positions, principally typists, stenographers, clerks, and similar jobs, is unprecedented. It is unwarranted.

I have directed your attention to the unfairness of this bill as it applies to the employee who secured his job under a competitive examination. When you pass this measure you not only blanket-in the present incumbent in his job, and you not only place him on the same status as the fellow who has held his job through the years by reason of a competitive examination, but you give this new man or woman the right to be transferred to some other civil-service position. In the event the employees coming under this bill should lose their jobs because their positions are later eliminated, they would have the same right to seek appointments under the civil-service law as any person who had qualified under a competitive civil-service examination.

Let us review the situation. In March 1933 there were 563,000 Federal employees, outside of the Army, Navy, and Diplomatic Service. Eighty-three percent of them were under civil service. In the last 6 years that number has increased to approximately 900,000. Three hundred thousand, or practically one-third of them, are not under civil service. Almost all of the 300,000 employees secured their jobs by political patronage. After we have built up a big patronage system, we are making the positions permanent under the guise of civil service.

Congress deliberately exempted these jobs from civil-service regulations when it created the many new bureaus and commissions which have come into being during the past 6 years. Today Congress is asked to right about face. After having appointed all these people to these jobs, we say to them that after all, they should have been, and are now, entitled to civil-service status. Then we go further, and exempt them from competitive examinations.

Do you think, as you sit here this afternoon, that because Congress made the mistake of excluding these 300,000 employees from competitive civil-service requirements, and gave them their jobs under political preference, that you should write into law an authorization giving these political appointees a preference against the thousands on the outside